

MEETING

PENSION FUND COMMITTEE

DATE AND TIME

WEDNESDAY 7TH OCTOBER, 2020

AT 6.00 PM

VENUE

VIRTUAL MEETING

LINK TO VIRTUAL MEETING - <https://bit.ly/3cE9xaV>

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 3)

Chairman: Councillor Mark Shooter (Chairman),
Vice Chairman: Councillor Elliot Simberg (Vice-Chairman)

Councillors

Cllr Anthony Finn
Cllr Kathy Levine

Cllr Anne Hutton
Cllr Alison Moore

Cllr Peter Zinkin

Substitute Members

Cllr Melvin Cohen
Cllr Stephen Sowerby

Cllr Eva Greenspan
Cllr Ross Houston

Cllr Reema Patel
Cllr Arjun Mittra

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Friday 2nd October at 10AM. Requests must be submitted to Paul.Frost@barnet.gov.uk

You are requested to attend the above meeting for which an agenda is attached.

Andrew Charlwood – Head of Governance

Governance Services contact: Paul.Frost@barnet.gov.uk

Media Relations Contact: Tristan Garrick 020 8359 2454

ASSURANCE GROUP

Please consider the environment before printing. The average Print Cost for this Committee has reduced by £58.88 per meeting, due to paperlight working.

Committee Agendas are available here: barnet.moderngov.co.uk/uuCoverPage.aspx?bcr=1

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes	3 - 7
2.	Absence of Members	
3.	Disclosable Pecuniary interests and Non Pecuniary interests	
4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
6.	Members' Items (if any)	
7.	Administration Report	9 - 16
8.	Investment Strategy, Responsible Investment and Pooling report	17 - 30
9.	Pension Fund Annual Report and Accounts and External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2019/20	31 - 82
10.	Barnet Council Pension Fund - Performance for the Quarter to 30 June 2020	83 - 132
11.	Pensions Administration Transition (PAT) Project update	133 – 140
12.	Admitted Body and Bond Status Update	141 - 154
13.	Pension Fund Committee Work Programme	155 – 159
14.	Motion to exclude the press and public	
15.	Re-procurement of Actuarial Services to the Barnet Pension Fund	160 - 164
16.	Any item(s) that the Chairman decides is urgent	

Decisions of the Pension Fund Committee

27 July 2020

AGENDA ITEM 1

Cllr Mark Shooter (Chairman)
Cllr Elliot Simberg (Vice-Chairman)

John Marshall
Anthony Finn

Kathy Levine
Anne Hutton

Alison Moore

1. **MINUTES (Agenda Item 1):**

That the Minutes of the meeting held on 13 February 2020 be approved.

2. **ABSENCE OF MEMBERS (Agenda Item 2):**

None.

3. **DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS (Agenda Item 3):**

Councillor Peter Zinkin declared a Non Pecuniary interest in regards to item 13. He stated that his wife was a trustee of one of the listed schools and that his grandchildren attend another listed school. He also made a further Non Pecuniary interests in that he was invested in funds managed by Aberdeen Standard. Councillor Zinkin therefore took part in the consideration and voting process in all listed agenda items.

Councillor Antony Finn made a Non Pecuniary and stated that he was a Member of the Barnet Pension Fund. Councillor Finn therefore took part in the consideration and voting process in all listed agenda items.

4. **PUBLIC QUESTION AND COMMENTS (IF ANY) (Agenda Item 4):**

None.

5. **REPORT OF THE MONITORING OFFICER (IF ANY) (Agenda Item 5):**

None.

6. **MEMBERS' ITEMS (IF ANY) (Agenda Item 6):**

None.

7. **LCIV UPDATE (Agenda Item 8):**

Mr George Bruce introduced the item and gave an overview of the report. He informed Members that Ms Silvia Knott-Martin, Client Relations Manager for the London CIV was in attendance to provide an update for Members which she duly did. Members of the Committee had the opportunity to raise questions.

Having considered the report the Committee:

Resolved:

. That the Pension Fund Committee noted progress on pooling the fund's investments with the London CIV.

8. RESPONSIBLE INVESTING (Agenda Item 9):

The Committee considered the report which provided an update on issues relating to responsible investing (RI). a survey of Committee and Board members had been undertaken to ascertain their views on the integration of RI issues into investment decisions. The responses from the survey were discussed and it was agreed that there should be increased emphasis on sustainability and pooling.

The Committee requested that it be minuted that Members were very keen for actions to take place.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee reviewed the survey responses and invited Officers and Hymans to suggest ways to incorporate members beliefs into investment decision making.

9. PENSIONS ADMINISTRATION TRANSITION (PAT) PROJECT UPDATE (Agenda Item 10):

The Councils Pensions Manager Mr Kigel Keogh provided an update on the transfer of the administration of the Barnet Pension Fund from Capita to the West Yorkshire Pension Fund (WYPF).

Councillor Finn noted a typo with the report which the committee noted.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee is asked to note progress against the plan.

10. CAPITA REMEDIATION PLAN AND PENSIONS REGULATOR UPDATE (Agenda Item 11):

The report was introduced by the Councils Pensions Consultant Mr Nigel Keogh. He gave an overview of the item for the Committee on progress against this remediation plan and on the on-going communications with The Pension Regulator.

Councillor Alison Moore noted that the Fund was meeting some of the cost on the remediation works.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee noted the progress against the plan and the most recent correspondence with the Regulator.

11. ADMINISTRATION REPORT (Agenda Item 12):

The Committee considered the report that provided the Pension Fund Committee with an update on the current performance and the plans for the transfer of the administration service from Capita to West Yorkshire Pension Fund.

The Chairman was grateful for the update and stated that the Committee took the administration of the Fund very seriously.

Having considered the report the Committee:

Resolved:

The Pension Fund Committee are noted the current performance levels and the update on the work being undertaken prior to the transfer of administration services.

12. ADMITTED BODY AND BOND STATUS UPDATE (Agenda Item 13):

The Committee received a status update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations, that needed arranging.

Members of the committee had the opportunity to ask questions which they duly did. All questions were fully responded to by Officers.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee noted the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations; and the Pension Fund Committee approved the admission into the Scheme of the Employers detailed in section 1.4 of the report.

13. APOINTMENT OF ACTUARIAL SERVICES (Agenda Item 14):

The Committee received the report that contained details on the supply of actuarial services to the Barnet Pension Fund expires on 31 December 2020. The Councils Pensions Manager Mr Nigel Keogh sets out the plans for the re-procurement of the service.

Councillor Peter Zinkin questioned the extent of the involvement of Committee Members in the procurement method, which was noted by Officers.

Having considered the report the Committee:

Resolved:

- The Committee is asked to note the arrangements for the re-procurement of actuarial services.

- That Members be able to participate in the clarification interviews.

14. EXTERNAL AUDITOR'S PLANNING REPORT FOR THE YEAR 2019/20 (Agenda Item 15):

The Committee received the report:

Having Considered the report, the Committee:

Resolved:

That the Pension Fund Committee noted the audit strategy for the 2019/20 Report and Accounts and identify matters that the Committee wish to bring to the attention of the Auditor.

15. INTERNAL AUDIT REPORT – PENSIONS FOLLOW UP REVIEW (Agenda Item 16):

The Committee received the report:

Having Considered the report, the Committee:

Resolved:

- That the Pension Fund Committee noted the Internal Audit report.

16. PENSIONS FUND COMMITTEE WORK PROGRAMME (Agenda Item 18):

Resolved:

The Pension Fund Committee noted the Work Programme.

17. MOTION TO EXCLUDE PRESS AND PUBLIC (Agenda Item):

The Chairman moved a motion to enter into an exempt session in order for the Committee to consider exempt information. This was agreed by the Committee. The Chairman therefore noted that the virtual public meeting be ended, and the remaining business be conducted in a part 2 session.

18. PENSION FUND COSTS AND EXPENSES (Agenda Item 17):

Mr George Bruce introduced the report. In doing so he noted a typo in with the report. He stated that the item summarised the Pension Fund costs in the year to 31 March 2020, with a comparison to the previous year.

Having considered the report the Committee:

Resolved:

- (1) That the Committee noted the scheme costs in the year to 31 March 2020.
- (2) That the exempt information be noted

19. QUARTERLY INVESTMENT PERFORMANCE (Agenda Item 7):

The Committee considered the report which summarised the Pension Fund investment managers for the quarter to 31 March 2020. The Council's Investment Consultants from Hyman Roberts were in attendance to introduce their analysis of the performance period.

Having Considered the report the Committee:

Resolved:

That the Pension Fund Committee noted the performance of the Pension Fund for the quarter to 31 March 2020.

20. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 19):

The meeting finished at 20:30

This page is intentionally left blank



Pension Fund Committee

7 October 2020

Title	Administration Report
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	None
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341

Summary

This report provides the Pension Fund Committee with an update on the current performance including the issuing of Annual Benefit Statement (ABS), Remediation Plan and GMP reconciliation.

Officers Recommendations

The Pension Fund Committee are requested to note the current performance levels and the update on Annual Benefit Statements.

1. WHY THIS REPORT IS NEEDED

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place. This information is reviewed at each meeting of the Local Pensions Board. This report provides a summary of the update provided to the Board on 2 September 2020.

Capita Performance

- 1.2 In the last monthly report received from Capita for August 2020, Service Level Agreement (SLA) attainment was 86.5%. Compared to the last Committee update in July 2020 when SLA attainment was 94.5%, this shows a decline in Capita's performance over the last few months. The common measure of SLA attainment within the pensions industry is that 95% of casework is completed within the agreed SLAs.
- 1.3 Capita have been asked to ensure that performance levels were maintained on death and retirement cases, to enable progress on the "remediation plan" (as detailed in section 1.6 below). The performance levels for August 2020 for these two cases types were again disappointing at 74.5% and 77.5% respectively. Officers have reinforced to the administration team at Capita that these two case types must improve leading up to the transfer of administration to the West Yorkshire Pension Fund.
- 1.4 Part of the reason for this decline in performance can be attributed to staff absence and in August, a failure within Capita's IT systems which led to the pensions administration system being unavailable for two days.
- 1.5 Officers have raised this downturn in performance with Capita (including senior management) at their weekly meetings and continue to monitor performance. A report is awaited on the cause of the incident. Capita were asked to consider catch up measures and they have offered overtime opportunities to the administration team.
- 1.6 The Local Pension Board at their meeting on 2 September 2020 expressed their concerns on Capita's performance.

"Remediation Plan"

- 1.7 In preparation for the transfer of administration to the West Yorkshire Pension Fund (WYPF) on 1 November 2020, Capita also continue to work on a “remediation plan” in order to complete outstanding member cases and data updates. Officers have agreed with Capita that this work should be treated as a priority over “business as usual” work except for death and retirement cases.
- 1.8 As at 11 September 2020, the number of cases outstanding in the remediation plan was c2,300 – at the start of the project this figure was c4,600. This includes c1,100 “non-actionable work cases”, which are cases that were put “on hold” whilst waiting for further information from third parties.
- 1.9 Capita have made progress on the remediation plan (around 60% of the work has been completed, whilst taking only 50% of the expected work effort), but there remains a lot of work to be done before the transition to WYPF and it is now unlikely that this will be fully completed before the transition.
- 1.10 Officers are discussing with WYPF how to deal with any unfinished work arising from the remediation plan after the 1 November 2020. This work will transfer to WYPF who will be setting up a dedicated project team to complete the outstanding work.

Annual Benefit Statements

- 1.11 Annual Benefit Statements (ABS) were issued to 9,811 deferred members in early August 2020 and to 6,538 active members on 28 August 2020. The statutory deadline for issuing ABS’s was 31 August. There are c1,250 active members who have not yet received an ABS mainly due to outstanding information due from employers. Some of these members may have also left the Scheme as no salary information was provided on employer’s annual returns with Capita unable to process until a leavers return is provided by the employer. Officers are assisting Capita in chasing employers for the outstanding information, so where applicable, ABS’s can be issued for these members and members records corrected.
- 1.12 Following the issuing of ABS’s, on 8 September, Capita Pensions advised Officers that the LBB payroll provider (Capita HR) had provided incorrect pensionable pay details for 1,660 members employed by LBB. Following investigation, it was confirmed pensionable pay for 13 months was provided for the year ending March 2020. This resulted in benefits being overstated on the ABS.
- 1.13 Root cause analysis by Capita has discovered that when the report used to extract the required year end data to support ABS production was run by the Capita Payroll team, it was checked and was deemed correct. This extract was sent to Capita Pensions for adjustments/edits as per standard processes. The edits were returned to Capita Payroll and the report was re-run. When the report was run for the second time the monthly payroll file for April had been run and erroneously included in the report.

A breakdown in controls led to the second report not being checked on the basis that the first report generated had already been checked for accuracy and therefore was assumed to be correct. In order to prevent the error re-occurring, Capita Payroll will change the fixed parameters of the report to be classed as annually at tax year level and not with a variable date range

- 1.14 Capita Pensions immediately commenced remedial action, along with Capita Payroll to update the members records with correct pensionable pay details and reissue ABS's. The aim is to reissue statements before the end of September and Capita have advised that they are on track to reissue corrected statements to all impacted members before the end of September.
- 1.15 Staff affected have received an email from the Council's Chief Executive apologising for the error.

GMP reconciliation project

- 1.16 Officers have also been working with Capita on a project to ensure that members' Guaranteed Minimum Pensions (GMP) held on Capita records reconcile with the figure held by HM Revenue & Customs (HMRC).
- 1.17 GMP is the amount that a member's pension must be at least equal to when they attain "GMP age" which is age 60 (for females) and 65 (for males). This was a result of the fund "contracting out" of the old State Earnings Related Pension Scheme (SERPS), where members (and employers) paid reduced national insurance contributions but the member did not qualify for a SERPS pension from the State. Once a member has passed their GMP age", the Barnet Fund is liable to pay pension increases on their GMP, so it is important that the GMP on the administrator records agree with HMRC ensure that the correct increases are given
- 1.18 GMP's affect active and deferred members, along with pensioners and spouses, where the member was in the fund before 6 April 1997.
- 1.19 HMRC have recently provided Capita with final GMP details for all members and Capita are working on the final reconciliation, with any remaining differences in the GMP figures being discussed with Officers on the best method for updating the administration system.
- 1.20 As a result of this reconciliation, there are five pensioners who have had their pensions overpaid since they attained "GMP age". Officers are contacting these members to advise that their pension will be amended to the correct amount and discuss the return of the overpayment. Seven pensioners have been underpaid and their pensions will be corrected and any arrears paid to them.

- 1.21 This project is due to be completed by the end of February 2021. Capita will complete this project and update WYPF with any changes required to member records.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Not applicable

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

- 4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 By monitoring admitted body organisations and ensuring all third parties comply fully with admission agreements and bond requirements, good management of the Pension Fund is maintained. This is because the cost of providing benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 There are no immediate financial implications from the report. However, it is important that admitted bodies have their contribution set by the Actuary to ensure that employers can commence membership in the Scheme with an equitable contributions rate and that cessation values are calculated to ensure that any deficits from ceasing employers are paid for.

5.3 Social Value

- 5.3.1 Membership of the Pension Fund ensures the long term financial health of the contributing employees on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution – Article 7 – includes within it the responsibilities of the Pension Fund Committee. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

5.5 Risk Management

- 5.5.1 The ongoing viability of the Pension Fund is dependent on acquiring assets that match the pension liabilities. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels to mitigate against any risk to the financial viability of the pension fund.
- 5.5.2 There is a possibility of financial losses to the Pension Fund where arrangements around admitted bodies, bond agreements and contributions are not sufficiently robust. The Council is improving internal controls to ensure the Fund is protected.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

- 5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

- 5.8.1 Not required.

5.9 Insight


- 5.9.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Papers of the Local Pension Board Meeting held on 2 September 2020, agenda item 11 – Performance Report

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=10153&Ver=4>

This page is intentionally left blank

	<h1>Pension Fund Committee</h1> <h2>7 October 2020</h2>
Title	Investment Strategy, Responsible Investment and Pooling.
Report of	Director of Finance
Wards	N/A
Status	Public except for exempt Appendix.
Urgent	No
Key	No
Enclosures	<p>Appendix – Hymans Robertson slides (exempt)</p> <p>Exempt enclosure - Not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)).</p>
Officer Contact Details	George Bruce, Head of Treasury, george.bruce@barnet.gov.uk - 0208 359 7126
<h3>Summary</h3>	
<p>The Pension Fund Committee on 27th July 2020 requested proposals to enhance both pooling and responsible investment influence in the selection of the pension fund's investments. Discussions with Hymans Robertson have identified four products available through the London CIV that achieve these objectives and training will be provided on each in advance of the meeting, followed by discussion at the meeting.</p>	
<h3>Officers Recommendations</h3>	
<p>1. That the Pension Fund Committee consider which of the four funds named in paragraph 1.4 best achieves their ESG and pooling aspirations.</p>	

1. WHY THIS REPORT IS NEEDED

- 1.1 Acting in its capacity as Administering Authority to the Barnet Pension Fund, it is the responsibility of London Borough of Barnet to ensure that the Pension Fund complies with legislation and effectively manages the Fund's financial affairs.
- 1.2 At the July meeting the Committee discussed both their appetite for incorporating Environmental, Social and Governance ("ESG") factors into the investment portfolio and the progress of pooling with the London CIV. The Committee agreed that there should be increased emphasis on sustainability and pooling and that Members were keen for actions to take place.
- 1.3 Discussions with the investment adviser, Hymans Robertson, concluded that the best place to start was with the 40% allocation to equities managed by Legal and General. Reasons are the longer history of ESG focused portfolios in equities compared with other asset classes; the LCIV has equity offerings in these areas but not currently in other asset classes and the Committee and Hymans have raised concerns with the rationale for continuing with an allocation to RAFI equities. The LCIV has plans to launch two non equity offerings that offer sustainability characteristics – renewable infrastructure and London Impact. However, the LCIV is currently seeking to appoint an advisor to assist in fund selection and it is likely to be mid 2021 before an investment opportunity arises.
- 1.4 Four products were identified in discussion with Hymans that have the potential to replace part of the existing equity holdings. These are:
 - LGIM – FTSE4Good (LGIM Ethical)
 - LGIM – MSCI Low Carbon
 - LGIM – Future Worlds Equity Index
 - LCIV Sustainable Equities and Sustainable Equities Exclusion Funds.
- 1.5 A short Hymans note on these funds is attached. An hour's training will be provided before the Committee that will highlight how ESG factors are incorporated into each fund. There will then be a discussion at the Committee led by Hymans to identify the ESG characteristics of each fund and the differences between them. Following this discussion, it is hoped that sufficient guidance will be provided by the Committee to enable Hymans and officers to develop implementation proposals.
- 1.6 One point to note is the LCIV Sustainable Equity portfolios are active in that they seek to outperform the returns of an agreed index. Some time ago the Committee determined that their preference was for 'passive / index tracking' forms of equity investments, which aim to replicate the performance of a specified index. The most common approach to constructing an index is to weight the constituents by their market capitalisation (a 'market cap' index). The LGIM RAFI fund aims to replicate the performance of an index, but not a market cap index. Instead, it specifies an index that is constructed based on companies' fundamental measures, rather than their market caps. Of the four options above, the LCIV fund(s) are active and the LGIM funds aim to track specified indices.
- 1.7 A critical consideration when switching equity holdings will be timing. For example RAFI has underperformed because of its low allocation to technology stocks e.g. Apple, Microsoft, Google etc and the prominence in its holdings of asset rich industries that were previously expected to out-perform in the long term. Buying at the top and selling

at the bottom has its risks, although these can be partially managed by phasing transactions. These issues are exacerbated by some of the ESG focused funds having above mark cap exposure to technology stocks, potentially increasing the risk of buying stocks that have been favourites for some years.

- 1.8 In addition to reviewing the equity holdings, remaining issues include the unused 5% allocation to UK commercial property and the cash currently invested in diversified growth funds awaiting investment to both UK commercial property and private equity. Hymans were asked to bring forward areas of particular interest at the current time and their comments are:

“There are three areas of the market we think are particularly attractive at the moment, although there would need to be some further training for the Committee and/or suitability advice provided prior to any investment decision being made:

- **special situations financing**, which is an extension of the traditional core direct lending that you invest in already, and focuses on providing bespoke solutions to mid-market corporate borrowers with fundamentally strong businesses that are facing specific challenges or strategic opportunities relating to the pandemic;
- **distressed debt**, which is the riskiest of the three opportunities and focuses on debt issued by viable businesses that have become unsustainable, usually after a period of significant operational and financial underperformance, and can generate high returns by restructuring either the debt or the company; and
- **fund secondaries**, as the pandemic has forced fund managers to restructure their portfolios, which will provide a real boost to the secondaries market and an opportunity to acquire assets at significant discounts in asset classes such as private equity, private debt and infrastructure.

Some of the Fund’s existing managers will be able to offer these opportunities – Adams Street and Partners Group are raising money for their secondaries funds, and Barings and M&G may be suitable candidates for distressed debt, although we’re still doing our due diligence there. All the opportunities are accessed via closed-ended fixed-term [funds that distribute proceeds after the underlying investment are realised] vehicles”.

- 1.9 Hymans will expand on these comments at the meeting.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) review and if necessary, revise the investment strategy. The proposal recognises that the strategy has been enhanced in 2015, 2016 and 2017. Modelling presented to the Committee at the June 2018 meeting indicated that the current strategy, while expected to achieve the funding objective, can be enhanced.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The various alternatives are discussed in the paper and within the Hymans Robertson reports.

4. POST DECISION IMPLEMENTATION

4.1 Delegation is requested to the S151 officer to implement the agreed actions.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Committee supports the delivery of the Council's strategic objectives and priorities, as expressed through the 2019-2024 Corporate Plan, to be an efficient and effective Council through managing our finances and contracts robustly, by assisting in maintaining the integrity of the Pension Fund by monitoring the investments and administration of the Pension Fund.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 There are no direct resources issues for the council however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the Authority's accounts and the level of contributions payable by the Council and other employers.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.

5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) to review and if necessary, revise the investment strategy.

5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee, (1) the approval of the Investment Strategy Statement and to act in accordance with its principles and (2) the appointment of investment managers. This paper considers alterations to the asset allocation set out in the ISS.

5.5 Risk Management

- 5.5.1 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.
- 5.5.2 Understanding the causes of sources and variabilities of scheme returns informs the management of investment and funding risk.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public-sector equality duty.

5.7 Corporate Parenting

- 5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

- 5.8.1 Not applicable.

5.9 Insight

- 5.9.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Responsible Investment and Pooling agenda items (7and 8) Pension Fund Committee 27 July 2020.

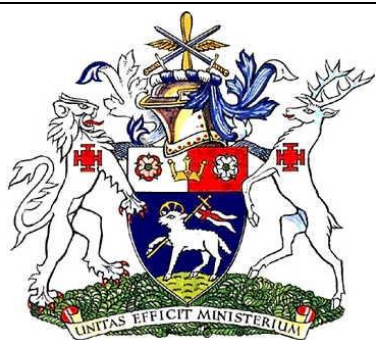
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=10149&Ver=4>

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



Pension Fund Committee

7 October 2020

Title	Pension Fund Annual Report and Accounts and External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2019/20
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Annual Report 2019/20 and Accounts Appendix B – External Auditor's ISA 260 report (to follow)
Officer Contact Details	George Bruce, Head of Treasury, 0208 359 7126 george.bruce@barnet.gov.uk

Summary

The Committee is asked to approve the Annual Report and Accounts for the Pension Fund as at 31 March 2020. The accounts will be published as part of the Council's main accounts. The external audit is currently in progress. It is intended that the auditor's report on the accounts (ISA260) will be circulated in advance of the meeting and that the Auditor will attend the meeting.

Officers Recommendations

That the Pension Fund Committee approve the 2019/20 Annual Report and Pension Fund Accounts;

That the Pension Fund Committee note the matters raised by the external auditor in respect of the audit of the Accounts and Annual Report; and

That the Pension Fund Committee consider whether there are any matters arising from the Annual Report & Accounts or Auditor's Report on which they require additional information or action.

1. WHY THIS REPORT IS NEEDED

- 1.1 Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts. There are also specific legal requirements in relation to the accounts and the annual report as set out in section 5.4 below.
- 1.2 The Annual Accounts is prepared in accordance with legislation and CIPFA guidance. The content is kept to a minimum to comply with these requirements. The accounts are due to be published as part of the Council's accounts by 31st October 2020. The publication deadline has been extended by three months.
- 1.3 The external auditor will be attending the meeting to discuss their report. At the time of writing the audit is continuing. No significant issues have been raised and the audit is expected to be completed before the end of September. It is anticipated that the report will contain recommendation for consideration by the Committee and management.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Committee is requested to consider the report and recommendations to enable the Council to meet its obligations under Section 151 of the Local Government Act 1972 as set out in paragraph 1 above.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 None.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 A positive external audit opinion on the Pension Fund's Annual Report and Accounts plays an essential and key role in providing assurance that the Pension Fund's financial risks are managed in an environment of sound stewardship and control. This is in line with the aims set out in the Council's Corporate Plan, to ensure that services are delivered efficiently to get value for money for the taxpayer.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 This report sets out the framework for the assessment of the Pension Fund's financial reporting and management as well as value for money.
- 5.2.2 The external audit fees for 2019/20 and the prior year are both £36,000. No additional audit fees are anticipated.
- 5.2.3 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.
- 5.2.4 The ISA 260 report must be considered by "those charged with governance" before the external auditor can sign the accounts, which legally has to be done by 30 October 2020.
- 5.2.5 The external auditor, BDO was presented with draft financial statements on 31st May 2020.

5.3 Social Value

- 5.3.1 Arrangements for proper administration of financial affairs and contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The Accounts and Audit Regulations 2015 require that the authority's accounts for the year 2019/20 are approved by the authority or by a committee and signed by the Chairman of the committee which approved the accounts.
- 5.4.2 The requirement for an administering authority to prepare a Pension Fund Annual Report is contained in Regulation 57 of the Local Government Pension Scheme Regulations 2013.
- 5.4.3 The Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee,

“To meet review and consider approval of the Pension Fund Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts, and

To receive and consider approval of the Pension Fund Annual Report.”

5.5 Risk Management

- 5.5.1 The external audit ISA 260 report highlights areas of good control and areas of weakness which need to be addressed. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

5.6.2 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not required.

5.8 Insight

5.8.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 Audit plan presented to the Pension Fund Committee on 27th July 2020, agenda item 15.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=10149&Ver=4>



PENSION FUND

ANNUAL REPORT

2019/20

Contents

	Page
1. Trustee's Report	2
1.1 LGPS Regulations	2
1.2. Governance	3
1.3. Management Structure	4
1.4 Risk Management	5
1.5 Financial Performance	5
1.6 Actuarial Funding Level	7
2. Investment Policy	7
3. Management and Performance of the Fund	12
3.1 Fund Performance	12
3.2 Market value of the Fund	13
3.3 Scheme Administration	14
3.4 Membership of the Fund	15
4. Statutory Statements	16
5. Actuary's Statement	17
6. Auditor's Report	19
7. Statement of Responsibilities	21
8 Pension Fund Statement of Accounts	22
 Appendices	
A Governance Compliance Statement	49
B Funding Strategy Statement	59
C Investment Strategy Statement	100
D Communication Policy Statement	110
E Pension Administration Statement	111

1. Trustee's Report

1.1 Local Government Pension Scheme Regulations

The London Borough of Barnet Pension Fund is part of the national Local Government Pension Scheme (LGPS). It is a contributory defined benefit pension scheme established under statute, which provides for the payment of pension benefits to employees and former employees of the London Borough of Barnet and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions that employees and employers pay into the Fund to meet the cost of paying pensions at a later date. The Fund builds up assets at the same time as paying out pensions. Employer contributions are set by the Fund's actuary at the actuarial valuation which is done every three years. The last actuarial valuation was completed as at 31 March 2019. The Actuary determines the level of contributions payable by employers that together with other income are expected to enable the fund to acquire sufficient assets to pay benefits as they fall due for payment.

As a statutory pension scheme, it is secure because its benefits are set by law and paid out of a fund which is managed professionally. Should there be insufficient assets, the Council and other participating employers are responsible for making up the shortfall. Membership of the pension fund is available to employees of the local authority and other eligible organisations. However, as the benefits are guaranteed by law, and the employees' contribution is fixed, the employers' contribution rates will vary as the Actuary calculates the required level of assets and expectations of future investment income and this can have an adverse effect on the overall employers' budgets.

In the public sector, the individual legal provisions covering many pension schemes were brought together under one Act of Parliament (The Superannuation Act 1972). The regulations appoint major authorities, such as the London Borough of Barnet, to the role of "administering authorities" to manage the scheme at a local level.

The LGPS as introduced in 1972 remained unchanged until 2008 when changes were made to the scheme. More significant changes were introduced in a new look LGPS effective from 1 April 2014. One of the main changes is that a scheme member's pension entitlement for service after 1 April 2014 is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Benefits built up in the scheme before 1 April 2014 are protected and will continue to be based on the scheme member's final year's pay. The revised benefits payable from the Fund are set out in the Local Government Pension Scheme regulations and in summary are:

- A pension based on career average earnings (revalued in line with the Consumer Prices Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for a member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

The Fund is governed by the Public Services Pensions Act 2013 and the LGPS Regulations 2013 (as amended), the LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016.

The Pension Fund is a shareholder in the London Local Government Pension Scheme Collective Investment Vehicle (LCIV). The Pension Fund Committee approved the investment of £150,000 as regulatory capital in 2015. The Fund's investments with Legal and General, LCIV NW Real Return and LCIV Emerging Market Equities (44.2% of investments) are either invested with the LCIV or monitored by them. This has delivered considerable savings in fees. It is also consistent with the Government's LGPS pooling ambitions that require local government pension scheme administering authorities to set out their proposals to invest their assets through one of the approved LGPS investment pools.

The content and detail in the pension fund annual report is prescribed by the LGPS Regulations 2013. In publishing this report, the Council as administering authority, sets out the standard of governance and supervision of the fund. It also brings together a number of separate reporting strands into one document to show how the Fund is managed and how it is performing.

To help people save more for their retirement, the Government requires employers to enrol their workers into a workplace pension scheme. This legislation is separate from the Local Government Pension Scheme (LGPS) Regulations and applies to those employees that are not members of the Local Government Pension Scheme, including those who have previously opted out. The automatic enrolment of the Council's workforce into the LGPS came into effect from 1 June 2013. The dates for other participating employers varied. The impact has been a growth in scheme membership.

The Local Pension Board, a requirement introduced by the Public Services Pensions Act 2013, has been established as a Council committee to oversee pension fund governance and administration.

1.2 Governance Arrangements

The London Borough of Barnet is the administering authority and scheme manager for the Pension Fund. The Council has delegated responsibility for pension matters to the Pension Fund Committee, with the exception of monitoring the performance of Capita in providing pension administration service, which is delegated to the Financial Performance and Contracts Committee.

Pension Fund Committee

The Pension Fund Committee is responsible for discharging the Council's leadership and strategic management responsibilities regarding the Pension Fund. The Pension Fund Committee is responsible for the governance and administration of the Pension Fund including:

- Complying with regulations and best practice
- Establishing sound systems of control over all the Fund's activities
- Approving and updating the statutory statements that form the appendices to these accounts
- Developing funding and investment policies that will safeguard the interest of scheme members and employers, and
- Appointing and monitoring service providers (other than the provision of pension administration).

The Pension Fund Committee (the Committee) considers advice from the Section 151 officer, other Council officers, the Scheme Actuary, investment advisor, administrator and fund managers. Membership of the Committee is shown below. The Committee meet five times during the year. Cllrs Hutton, Rich and Simberg each missed one meeting. Cllrs Houston, Mitra and Zinkin attended as substitutes.

The Governance Compliance statement (appendix A) details the Committee's governance arrangements.

Local Pension Board

The Council established a local pension board (the Board) in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to assist the Council to:

- Secure compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS,
- secure compliance with the requirements imposed by the Pensions Regulator,
- such other matters as the LGPS regulations may specify, and
- ensure the effective and efficient governance and administration of the Pension Fund.

The Board activities during the year included monitoring the quality of the pension administration services, the Fund's compliance with legislation and regulations and reviewing the management of risk.

Conflicts of interest

Members of both the Pension Fund Committee and Local Pension Board follow the Code of Conduct for elected members, which sets out how any conflict of interest should be addressed. Declarations of interest are made at each meeting.

1.3 Management Structure

Administrating Authority

London Borough of Barnet

Pension Fund Committee Members 2019/20

Chairman: Councillor Mark Shooter

Vice-Chairman Councillor Elliot Simberg

Members: Councillor Anthony Finn
Councillor Anne Hutton
Councillor John Marshall (replaced 23 July 2020 by Councillor Peter Zinkin)
Councillor Alison Moore
Councillor Danny Rich (replaced 23 July 2020 by Councillor Kathy Levine)

Substitutes: Councillors Eva Greenspan; Ross Houston; Arjun Mittra; Reema Patel; Stephen Sowerby; Melvin Cohen

Observers: John Burgess Unison
James Kennedy Middlesex University

Local Pension Board

Employer Representatives: Professor Geoffrey Alderman (Chairman)
Councillor Thomas Smith (replaced 4 September 2019: Councillor Daniel Thomas
Rebecca Doctors (joined 10 February 2020)

Employee Representatives: Hem Savla (Vice-Chairman)
Salar Rida
David Woodcock

Independent: Stephen Ross

Substitute Member: Alice Leach
Councillor Helene Richman

Officers

LB Barnet

Anisa Darr	Director of Finance and S151 Officer
Paul Clarke	Deputy Finance Director
George Bruce	Head of Pensions
Mark Fox	Pensions Manager

Actuary

Hymans Robertson LLP

Investment Advisors

Hymans Robertson LLP

Auditor
BDO LLP

Legal Advisors
HB Law

Performance Monitoring
Hymans Robertson
PIRC

Custodians
JP Morgan

Pensions Administration Manager

Diane Dixon Capita Employee Benefits, PO Box 215, Mowden Hall, Darlington, DL3 9GT

1.4 Risk Management

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Local Pension Board's terms of reference included oversight of risk management processes.

In order to manage risks, a risk register is maintained and reviewed by both the Committee and Board.

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay the promised benefits to members leading to contribution increases for employers. The investment and funding policies have been developed in conjunction with the actuary and investment advisor to provide a reasonable probability of achieving full funding and offering stability of contributions to employers.

1.5 Financial Performance

The Fund asset value decreased by £72.703 million in the year to £1,079,433 million. There was an inflow of £0.199 million from dealings with members, expenses of £9.536 million were incurred and a return from investments of minus £63.366 million.

The table below summarises the change in the fund value over the last five years:

	2015-16	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
Dealing with members					
Contributions	-54,238	-59,564	-60,265	-61,950	-65,257
Pensions, lump sums and transfers out	56,002	56,644	54,447	59,746	65,058
Net (additions) from dealings with members	<u>1,764</u>	<u>-2,920</u>	<u>-5,818</u>	<u>-2,204</u>	<u>-199</u>
Management expenses	5,095	4,904	5,870	8,073	9,536
Investment income	-12	-1,620	-2,405	-4,989	-8,598
Change in market value	5,725	-136,188	-42,058	-56,448	71,964
Net (increase) in the Fund	<u>12,572</u>	<u>-135,824</u>	<u>-44,411</u>	<u>-55,568</u>	<u>72,703</u>

Contributions have increased due to a 1% increase in the Council's contribution rate from 1 April 2019 together with increases in deficit contributions and additional contributions relating to early retirements.

Pensions are impacted by inflation and increases in the numbers of pensioners. Transfers out are variable year to year and increased by £3.0 million compared with the prior year.

The growth in expenses reflects the inclusion of Barnet's share of costs internal to pooled funds and the receipt of comprehensive reporting of internal fund costs. Further details of expenses are given below. Most investment income is retained within pooled funds and included within the change in market value of investments. Investment markets, having risen strongly over the last five years, suffered falls in Q1, 2020 as Governments' globally restricted movement to tackle the Covid-19 infection rate. Post year end, most of the Q1 losses have been reversed.

The table below summarises the change in net assets of the fund over the last five years.

Net Asset Statement

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Pooled funds	900,163	1,014,952	1,074,130	1,127,712	1,067,106
Cash	2,609	23,920	3,505	14,310	3,698
Investment in London CIV	150	150	150	150	150
Current Assets	15,935	14,524	21,080	11,649	11,713
Current Liabilities	-2,524	-1,389	-2,297	-1,685	-3,234
Total Net Assets	916,333	1,052,157	1,096,568	1,152,136	1,079,433

The asset value has reduced reflecting the impact of Covid-19 on investment markets in Q1, 2020. All investments are held in pooled funds. Further details of investments are given in section 2.

The table below details the scheme expenses in the last four years:

	2016-17		2017-18		2018-19		2019-20	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration		466		465		627		913
Investment Management								
Management Fees	2,772		3,425		3,675		4,559	
Performance related Fees	0		387		1,173		1,376	
Custody fees	13		15		15		15	
Transaction Costs	0		646		1,563		1,811	
		2,785		4,473		6,426		7,761
Oversight & Governance								
Actuarial	138		79		150		221	
Investment Advice	146		105		115		145	
Audit	28		28		26		64	
Council officers recharge	909		714		692		399	
other	432		6		37		33	
		1,653		932		1,020		862
Total		4,904		5,870		8,073		9,536

The above table includes costs incurred via pooled vehicles. These represent costs of £6.588 million in the current year (2018-19: £5.234 million). Historically most investment fees were billed directly. This is no longer true, with only Legal & General and Schroders issuing fee invoices. The other funds charge their costs directly to the value of investments, which for accounting purposes are estimated using information from each fund and included within costs above. The growth in internal fund costs is partly due to changes in best practice on cost disclosure that has increased standardisation and completeness of reporting.

The Pension Fund Committee and officers monitor costs and challenge fund managers. The London CIV has successfully negotiated lower fees for Legal and General and Newton and encouraged other scheme managers e.g. Schroders, to reduce charges.

Actuarial fees are higher in 2019-21 due to the completion of the 2019 triennial valuation.

Administration costs in 2019 include an additional charge for the reconciliation of GMP records with HMRC together with an allocation of LBB staff time for those who work entirely on administration. During 2019-20 three staff were recruited by the Council to review the administration arrangements and subsequently to manage the transition of administration services to West Yorkshire Pension Fund. In aggregate costs of £1.3 million were incurred by the Council and recovered from the Pension Fund. These costs are monitored by the Pension Fund Committee and considered to be fair.

The Government produces annual statistics on LGPS expenses. Due to inconsistencies in the quantification of costs, particularly pooled fund costs, comparison can be misleading. Overall LGPS costs in 2018-19 (latest year available) were reported as £222 per member. Barnet's costs of £293 per member are higher, mostly relating to investment activity, where costs per member are £44 greater than the LGPS average. The ongoing transfer of assets to mandates managed by the London CIV will help to ensure that investment costs are not excessive.

1.6 Actuarial Funding Level

The actuary to the Fund for the year was Hymans Robertson. The actuary's role is to place a value on the Fund's accumulated pension promises. A formal valuation of the Fund is required legally every three years; the most recent valuation of the Fund took place as at 31 March 2019

The funding level at 31 March 2019 was 86%, an increase of 13% from 2016. This corresponds to an improved funding deficit from £339 million in 2016 to £190 million in 2019. The fund's primary contribution rate as a whole for 19/20 remained unchanged at 17.9% of pensionable pay plus a secondary contribution of £16.047 million. For 2020/21 the fund as a whole primary contribution rate increases to 20.6% with secondary funding set at £11.142 million. The increase in the primary rate reflects the projected cost of providing future benefits, while the reduced deficit is due to the improved funding position.

The contribution schedule effective from 1 April 2020 is the aggregate required employer contribution to achieve a 70% probability of returning to a fully funded position over 17 years. The Actuary determines the contribution rate for each employer. The employer with the largest membership and fund share is LB Barnet, whose employer's contribution rate in 2019-20 was 27.9%, an increase of 1% from 2018-19. The rate for 2020-21 is unchanged at 27.9%. The next triennial actuarial valuation will be as at 31st March 2022

2. Investment Policy

The Council, through the Pension Fund Committee, is responsible for the investment of the Fund's assets and agreeing the investment policy within the regulations covering local authority pension schemes. The responsibility for the day to day management of the Fund's assets is exercised via the selection of self-managed pooled funds who are regulated by the Financial Conduct Authority. The role of appointing and monitoring of investment funds is shared with the London CIV.

The pooled funds into which the Committee invests appoint investment managers to manage the assets of the fund including buying and selling investments in order to achieve their specific objectives as set out in their governing documentation. In choosing investments, the investment managers must have regard to the overall suitability of investments in accordance with the pooled fund's aims and objectives. This section provides a summary of the current arrangements for investment of the London Borough of Barnet's Pension Fund.

Investment Report

As at 31 March 2020, the value of the Fund's investment assets was £1,071.0 million (31 March 2019: £1,142.2 million). This represents a decrease of £71.2 million compared with the previous year reflecting the returns generated by investment managers, which were impacted in Q1, 2020 by the reaction of investment markets to actions taken by Governments globally to control the spread of the COVID-19 virus. As noted below, most of the Q1 losses were recovered by June 2020 and the investment value at that date was £1,213.8 million.

During the year no changes were made to the investment strategy:

The Pension Fund Committee continues to work with Hymans Robertson to improve the expected outcome from the investment strategy and the strategic allocations are based on modelling undertaken by Hymans that considers the expected funding levels for a range of possible strategies and seeks to balance maximising the probability of achieving full funding with avoiding very poor outcomes. The Committee and the advisor have agreed to phase out the allocation to diversified growth funds (DGF's), currently managed by London CIV and Schrodgers and replace by allocations to three new asset classes; property, private equity and emerging market equities. The performance of DGF's have been below expectations over many years. These investments are being realised when funds are drawn down by the new mandates

The fund's investment strategy and investments as at 31st March 2020 are given in the table below.

During the year four new Commitment were made. These are:

Standard Life Long Lease Property fund	£27million
Adams Street Global Private Equity Fund 2019	\$67.5 million
LCIV Emerging Markets Equity Fund	£40 million
Partners Group Multi Asset Credit Fund 2019	£30 million

Fund investments are often drawn in stages as investment opportunities become available. During the year the following drawdowns were completed:

Standard Life Long Lease Property Fund	£27 million
CBRE Global Alpha Property Fund	\$32 million
LCIV Emerging Market Equities	£40 million
Partners Group Multi Asset Credit Fund 2019	£22.5 million
Adams Street Global Private Equity Fund 2019	\$1.9 million

Funding for these mandates was from partial realisations of the following investments:

LCIV Real Return Fund	£78.0 million
Schrodgers Diversified Growth Fund	£20.0 million
Partners Group Multi Credit	£5.1 million
Alcentra European Direct Lending	£3.6 million
Others	£0.3 million

Benchmark

The prime performance objective of the Fund is to achieve the return required to fund the Scheme's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation. The performance targets for each investment are detailed below.

Performance against this benchmark is measured, from an investment perspective, on a quarterly basis by Hymans Robertson LLP, the Investment Advisor to the Fund.

The Fund also subscribes to an independent investment performance measurement service in order to assess the rate of return achieved and the relative performance against other local authority pension funds that operate under the same regulations. This service is provided by PIRC.

Investment Allocation

Asset class / Investment Manager	Benchmark	Benchmark Proportion	Target
Equity		50%	
LGIM	FTSE All World Index	20%	Track within +/- 0.5% p.a. the index for 2 years in every 3
LGIM	FTSE RAFI All World Equity GBP Hedged Index	20%	
LCIV Emerging Mkt Equities	MSCI Emerging Market Index (TR) Net	5%	
Private Equity (Adams Street)	FTSE All World index + 5%	5%	
Divsified Growth Fund		0%	
Schroder DGF	CPI plus 5% p.a.	0%	To outperform the benchmark over a market cycle (typically 5 years) to outperform the benchmark over a rolling 5 years
LCIV (Newton) Real Return	1 month LIBOR plus 4% p.a.	0%	
Property		10%	
UK Commercial property (manager tbc)	tbc	5%	
Aberdeen Long lease fund	FTSE All Gilt Index +2% p.a.	2.5%	
CBRE - Global Alpha	9-11% p.a.	2.5%	
Corporate Bonds		10%	
Schroders All Maturities Corporate Bond Fund	Merrill Lynch Sterling Non-Gilts All Stocks Index	10%	To outperform the benchmark by 0.75% p.a. (gross of fees) over a rolling 3 years
Liquid Multi-Asset Credit		11%	
Alcentra - Clareant Global Multi Credit	3 month LIBOR plus 4% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Baring Global High Yield Credit Strategies	3 month LIBOR plus 5% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Insight - IIFIG Secured Finance	3 month LIBOR plus 4% p.a.	4%	To outperform the benchmark over a market cycle (typically 5 years)
Illiquid Alternatives		19%	
Partners Multi Asset Credit	3 month LIBOR plus 4% p.a.	11%	Over the life of the fund
Alcentra - Clareant Direct European Lending	8-10% per annum	included above	Over the life of the fund
M&G Lion Credit Opportunities Fund	3 month Libor plus 2%	3%	Over the life of the fund
IFM Global Infrastructure	8-10% per annum	5%	Over the life of the fund
		100%	

Investment Ranges

Prior to the adoption of the first investment strategy statement (ISS) in March 2017 the Pension Fund had to abide by the maximum allocations to asset classes specified in the Local Government Pensions (Management and Investment of Funds) Regulations 2009. On adoption of the ISS these limitations were replaced by those set in the ISS, which are shown below together with the actual and benchmark proportions as at 31 March 2020:

Asset class	Actual Proportion	Benchmark Proportion	Maximum Allocation
Equity	40%	50%	50%
Listed equity	40%	45%	
Private equity	0%	5%	
Diversified growth funds	15%	0%	25%
Property	5%	10%	12%
Infrastructure	6%	5%	7%
Corporate bonds	12%	10%	13%
Illiquid credit	9%	11%	23%
Multi-credit	6%	7%	10%
Alternative credit	7%	7%	10%
Cash	0%	0%	n/a
	100%	100%	

There were no breaches of these limits during the year.

Pooling

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing an approach to pooling that ensures maximum cost effectiveness both in terms of investment returns and management fees and costs.

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The LCIV is in the process of opening a range of sub-funds across all the asset classes likely to be of interest to the pension funds of London Boroughs.

The Fund transitioned its holdings in the Newton Real Return Fund to the LCIV during 2016. The value of the holding at 31 March 2020 is £45.3 million (31 March 2019: £120.4 million). During the year £40 million was invested in the LCIV Emerging Market Equity Fund. The Fund will look to transfer other asset classes to the LCIV as and when there are suitable investment strategies available. The Fund has previously committed to invest £30 million with the LCIV Private Debt Fund, but this fund was postponed by the LCIV.

The Fund holds assets in life funds managed by Legal & General Investment Management (LGIM) valued at £394.6 million (36.8% of the fund) as at 31 March 2020. The Fund holds these outside the LCIV in accordance with government guidance on the retention of life funds outside of pools. The LCIV has negotiated fees for the life funds and monitors the performance of the life funds.

The performance of the pooled and non-pooled assets is detailed in section 3.1 below of this report.

Costs and Savings

The Fund contributed to the costs of the LCIV in the year to 31 March 2020 by way of both fixed charges and additional fund manager fees. The fixed charges comprise an annual service charge of £25,000 (2018/19: £25,000) and a funding development charge of £65,000 (2018/19: £65,000). In addition, fees based on assets being monitored by LCIV were £18,623 (2018/19: £52,746).

The fee rates payable to LGIM and Newton reduced substantially after pooling. Due to confidentiality issues it is not possible to publish the previous or current fee rates. The management fee savings during the year to 31 March 2020 are £403,000 (2018/19: £395,000).

Independent Advisor

The Pension Fund Committee and Council Officers receive investment advice from the investment advisor to the fund, Hymans Robertson LLP. The role of the advisor is to attend the quarterly and annual meetings of the Committee and to provide advice on the following:

1. Investment strategy
2. Strategic asset allocation
3. Development of investment policy and practices
4. Corporate governance issues, including socially responsible investment and the Council's Investment Strategy Statement
5. Pension fund related legislation
6. Investment management performance monitoring
7. Assistance in the selection of investment managers, custodians and actuaries
8. Review of and advice on alternative benchmarks and setting of performance targets
9. Other ad-hoc advice.

Custodian

When assets are held in segregated portfolios it is necessary to appoint a custodian whose role is to hold title on behalf of the scheme, settle transactions, collect income, vote etc. The Barnet Pension Fund no longer has any segregated mandates, investing only in pooled funds, and as a consequence does not require the services of custodians. JP Morgan is retained to provide limited custody services for the Schroder's managed funds. Each pooled fund will have their own custodian who carry out the duties outlined above and may also act as fund administrator, maintaining the shareholders records for each fund. These custodians are appointed and monitored by either the fund sponsor or fund directors depending on the legal structure.

Voting

When investing through funds, voting rights rest with the fund or its appointed fund managers. The committee and officers discuss voting with the fund sponsors but are not able to direct how votes are cast.

3. Management and Financial Performance of the Fund for the Year 2019/20

3.1 Fund Performance

Over the 12 months to 31 March 2020, the Fund returned negative 5.7% (net of fees) versus a combined benchmark return of negative 2.5%.

The table below details the Fund's performance for the 12 months, 3 and 5 years to 31 March 2020.

	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Total Fund	-5.70%	0.60%	4.60%
Combined benchmark	-2.50%	2.80%	6.30%
Relative	-3.30%	-2.20%	-1.60%

Note: Total Fund performance excludes cash holding.

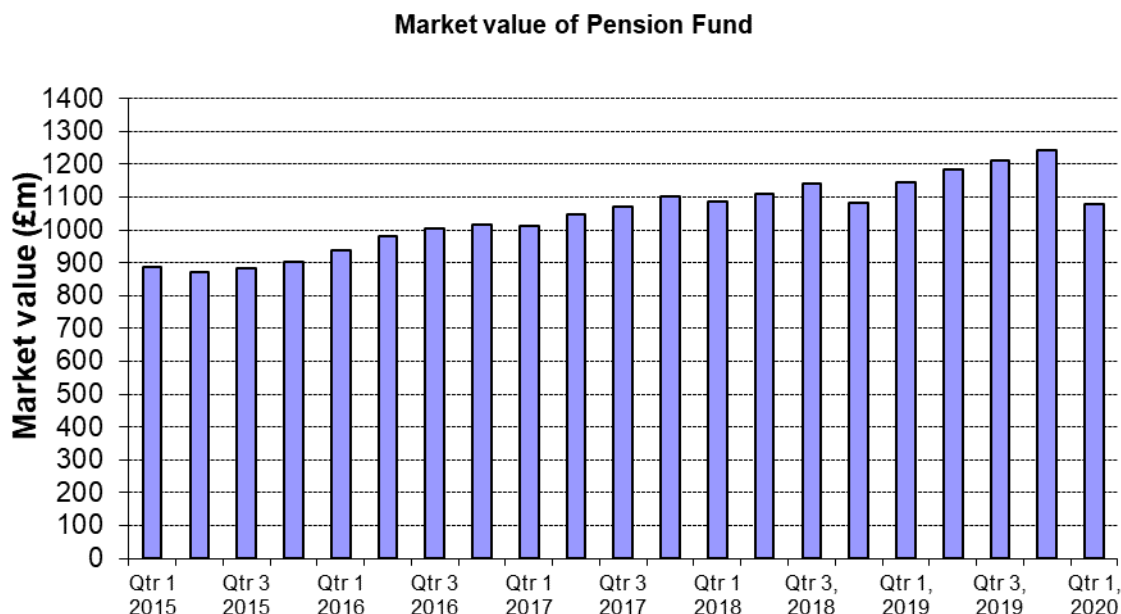
It is important to note that the Scheme's diversified growth and multi-credit mandates are all benchmarked against 'cash plus' performance objectives. These types of performance objectives, e.g. LIBOR + 4% p.a. are broadly in line with a long-term expected return from equities and so are less helpful for measuring short and medium-term performance and in particular the relative performance of the Fund over a 12-month period.

Performance Summary (Net of fees) – to 31 March 2020

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM Global Equity	-22.2	-22.4	0.2	-12.8	-13.0	0.3	-0.9	-1.0	0.1	6.7	6.8	-0.0
LCIV Emerging Markets Fund	-17.7	-18.4	0.9	n/a	n/a	n/a	n/a	n/a	n/a	-13.2	-13.8	0.7
BNY Mellon Real Return Fund	-9.1	1.1	-10.2	-2.2	4.8	-6.7	0.9	4.6	-3.6	2.5	4.6	-2.0
Schroder Life Diversified Growth Fund	-11.4	1.3	-12.6	-6.8	6.6	-12.6	-1.0	6.8	-7.4	2.6	7.4	-4.4
Standard Life Long Lease Property Fund	1.6	6.8	-4.9	n/a	n/a	n/a	n/a	n/a	n/a	4.8	10.4	-5.1
CBRE GIP Global Alpha Fund	-3.5	2.5	-5.9	n/a	n/a	n/a	n/a	n/a	n/a	3.2	5.1	-1.7
Income												
Alcentra Multi-Credit	-18.2	1.2	-19.2	-15.6	4.9	-19.5	-3.2	4.7	-7.6	-0.0	4.6	-4.4
Barings Multi-Credit	-18.5	1.4	-19.7	-15.4	5.9	-20.1	-3.5	5.7	-8.8	-0.0	5.7	-5.4
Insight Secured Finance Fund	-7.4	1.2	-8.5	-4.2	4.9	-8.7	n/a	n/a	n/a	0.8	4.8	-3.8
M&G ABS Alternative Credit Fund	-7.2	0.6	-7.7	-5.2	2.6	-7.5	n/a	n/a	n/a	0.1	2.4	-2.3
Schroder All Maturities Corporate Bond Fund	-2.1	-3.2	1.2	4.3	1.7	2.6	3.4	2.2	1.1	6.1	5.7	0.4
Alcentra Direct Lending	1.3	2.3	-1.0	8.0	9.5	-1.4	n/a	n/a	n/a	7.5	9.5	-1.9
Partners Group MAC 2015	-2.0	1.4	-3.4	1.5	5.9	-4.1	n/a	n/a	n/a	3.2	5.1	-1.8
Partners Group MAC 2017	-3.4	1.4	-4.8	0.7	5.9	-4.9	n/a	n/a	n/a	2.0	5.1	-2.9
Partners Group MAC V	-7.8	1.4	-9.1	n/a	n/a	n/a	n/a	n/a	n/a	-7.1	3.7	-10.4
IFM Global Infrastructure	-2.5	2.4	-4.8	16.7	10.0	6.1	n/a	n/a	n/a	13.7	10.0	3.4
Total	-13.4	-9.4	-4.4	-5.7	-2.5	-3.3	0.6	2.8	-2.2	4.6	6.3	-1.6

3.2 Market Value of the Fund

The following chart shows the quarterly movements in the market value of the investments over the last five years to 31 March 2020.



Investment values recorded steady rises throughout the above five-year period until the first quarter of 2020, when government actions globally to stop the spread of Covid-19 virus had the impact of reducing economic activity and creating uncertainty in investment markets. The tables above record a loss of 13.4% in that quarter. Markets have recovered much of these losses in Q2, 2020 as governments start to relax the restrictions on people movement. The Fund returned 10.5% in quarter 2, 2020 (1.4% in excess of benchmark), and ended with a valuation of £1,213.8 million as at 30 June 2020.

3.3 Scheme Administration

Administration of the Pension Scheme is provided by Capita Employee Benefits. The performance table below shows the range of work undertaken and the achievement of service standards in the year to 31 March 2020.

Case Group	Local Pensions Board - Agree LGPS Performance Targets	Achieved %
Change of details	Process change to member within 10 days of receipt of request	94.66
Enquiries	Provide response to member or beneficiary within 10 days of receipt of correspondence	82.73
Request for Estimate of Benefits	Issue benefit quotation within 10 days of receipt of request	78.32
	Provide statement of Preserved Benefits within 20 days of notification of exit	
Leavers on Termination / Opting out	Process payment of refund of contributions within 10 days of receipt of notification	66.84
	Process payment of transfer value within 10 days of receipt of all relevant documentation	
New Starter	Creation of system record within 4 days of receipt of notification	90.18
Retirements	Issue retirement quote to members 7 months prior to their normal retirement date	69.09
	Issue retirement quote within 10 days of receipt of request	
	Process payment of pension lump sum on normal retirement date of within 10 days of receipt of preferred options where appropriate	
Transfers In	Issue request for transfer details to previous scheme within 5 days of receipt of new starter details	80.03
	Issue receipt for payment of transfer value within 10 days of receipt of member's confirmation to proceed	
	Update member record with details of transfer value in within 7 days of receipt of transfer value payment	
Transfers Out	Provide details of deferred pension and transfer value within 20 days of receipt of request from new scheme	79.00
	Process payment of transfer value within 10 days of member's confirmation to proceed	
Bereavements	Issue initial correspondence to beneficiary following notification of death within 5 days	73.45
	Issue details of benefits payable on death within 5 days of receipt of completed documentation	
	Process payment of death lump sum within 5 days of receipt of documentation	
Other	Issue appropriate documentation / response to requests for information within 10 days of receipt of request	88.86

The Council has appointed Bradford City Council (as administrating authority of the West Yorkshire Pension Fund "WYPF") to undertake the administration of the pension scheme from 1st November 2020. Planning for the transition has been underway since Q1, 2020 and both employers and staff have been informed of the impact of the change. WYPF were appointed following a tender process on the basis of their record of providing high quality pension administration to three LGPS schemes. The switch will provide enhanced service for both staff and employers.

3.4 Membership of the Pension Fund 2019/20

	31 March 2020	31 March 2019
Number of employers with active members	56	61
Number of employees in scheme		
London Borough of Barnet	4,880	5,166
Other employers	2,948	3,464
Total	7,828	8,630
Number of pensioners		
London Borough of Barnet	6,166	5,896
Other employers	2,152	2,186
Total	8,318	8,082
Deferred pensioners		
London Borough of Barnet	8,145	7,189
Other employers	3,550	3,614
Total	11,695	10,803
Total number of members in pension scheme	27,841	27,515

Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies include voluntary, charitable bodies or private contractors undertaking a local authority function following outsourcing:

Absolutely Catering	Caterlink	Mears Group
Allied Healthcare	Churchill Catering	NSL Ltd
Barnet Education Arts Trust	Greenwich Leisure	OCS Group UK Ltd
Cambridge Education	Hartwig	Optivo (Viridian Housing)
Capita CSG	Hestia	
Capita RE	ISS	

Scheduled Bodies – local authorities and similar bodies whose staff are automatically entitled to be members of the Fund:

Alma Primary School	ETZ Chaim Jewish Primary	Saracens High
Alternative Provision (Oak Hill)	Grasvenor Avenue Infant	St Andrew the Apostle School
Archer Academy	Hasmonean High School	Summerside School
Ark Pioneer	Hendon School	Totteridge Academy
Ashmole Academy	Henrietta Barnett School	Whitefield Trust School
Barnet & Southgate College	Hyde School	Woodhouse College Academy
Barnet Homes	Independent Jewish Day School	Wren Academy
Bishop Douglass School	Kisharon Academy	Your Choice Barnet
Broadfields Academy	London Borough of Barnet	
Childs Hill	London Academy	
Christ College	Middlesex University	
Claremont Primary School	Mill Hill County High School	
Compton Academy	Parkfield Primary School	
Copthall Academy	Queen Elizabeth's Boys' School	
Deansbrook Junior Academy	Queen Elizabeth's Girls' School	
East Barnet Academy	Sacks Morasha	

4. Statutory Statements

The Pension Fund Committee has approved the statutory statements required by scheme regulations. Copies are included with the Annual Report and Accounts:

Governance Compliance Statement	appendix A
Funding Strategy Statement	appendix B
Investment Strategy Statement	appendix C
Communications Policy	appendix D
Pension Administration Strategy	appendix E

Comments

We welcome and value your comments on the standards of service we provide. If you have any comments please contact us.

barnetpensions@capita.co.uk

Address: London Borough of Barnet Pension Fund, PO Box 319, Darlington, DL98 1AJ

Telephone: 01325 746010/11/12/13/14

On behalf of the Pension Fund Committee

Councillor Mark Shooter

Chairman of the Pension Fund Committee

London Borough of Barnet Pension Fund

London Borough of Barnet Pension Fund (“the Fund”) Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the London Borough of Barnet Council, Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated February 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £1,152 million, were sufficient to meet 86% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £190 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.4%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7years	24.0 years
Future Pensioners*	22.9 years	25.7 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Gemma Sefton FFA

11 May 2020

For and on behalf of Hymans Robertson LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BARNET

Opinion on pension fund financial statements

We have audited the pension fund financial statements of London Borough of Barnet Pension Fund (“the pension fund”) for the year ended 31 March 2020 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 (“Code of Audit Practice”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed,

we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance London Borough of Barnet (“the Council”) as administering authority of the pension fund

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which comprises the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Director of Finance is responsible for assessing the pension fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to wind up the scheme or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council’s website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the members of London Borough of Barnet as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Responsibilities

Pension Fund Responsibilities

The London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund is required to:

- Make arrangements for the proper administration of the Pension Fund's financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the London Borough of Barnet Pension Fund that officer is the Director of Finance and Section 151 Officer.
- Manage the Pension Funds' affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance and S151 Officer Responsibilities

The Director of Finance and Section 151 Officer is responsible for the preparation of the London Borough of Barnet Pension Fund's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Director of Finance and Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with The Code.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance & S151 Officer Responsibilities

I certify that the Pension Fund's Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Pension Fund at 31 March 2020 (the balance sheet) and its income and expenditure for the year ended 31 March 2020.

Anisa Darr (CPFA)
Director of Finance and Section 151 Officer

Date

Chairman of Pension Fund Committee Certificate

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Pension Fund Committee.

Councillor Mark Shooter,
Chairman, Pension Fund Committee

Date



PENSION FUND

STATEMENT OF ACCOUNTS

2019/20

Draft - Unaudited

MAIN STATEMENTS
FUND ACCOUNT

		2019/20	2018/19
	Notes	£000	£000
Dealings with members, employers and others directly involved in the fund			
Contributions	6	(63,418)	(59,528)
Transfers in from other pension funds	7	(1,839)	(2,422)
		(65,257)	(61,950)
Benefits	8	57,420	55,154
Payments to and on account of leavers	9	7,638	4,592
		65,058	59,746
Net (additions) from dealings with members		(199)	(2,204)
Management expenses	10	9,536	8,073
Net withdrawals including fund management expenses		9,337	5,869
Returns on investments			
Investment income	11	(8,598)	(4,989)
Change in market value during the year	13	71,964	(56,448)
Net return on investments		63,366	(61,437)
Net decrease / (increase) in the net assets available for benefits during the year		72,703	(55,568)
Opening net assets of the scheme		1,152,136	1,096,568
Closing net assets of the scheme		1,079,433	1,152,136

NET ASSETS STATEMENT

		31 March 2020	31 March 2019
	Notes	£000	£000
Investment assets		1,070,804	1,142,022
Long term investments		150	150
Total net investments	13	1,070,954	1,142,172
Current assets	17	11,713	11,649
Current liabilities	18	(3,233)	(1,685)
Net assets of the fund available to fund benefits at the end of the reporting period		1,079,433	1,152,136

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 21.

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by the London Borough of Barnet (LBB) and the Council is the reporting entity for the Fund.

The day to day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Finance Officer (Section 151 Officer) of the Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the *London Borough of Barnet Pension Fund Annual Report 2019/20* and the underlying statutory powers underpinning the scheme.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the LBB Council to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies.

A government scheme supplies teachers' pensions and as such they are not provided for under these arrangements.

The Fund's accounts provide information on the financial position, investment performance and risk showing the results of the Council's stewardship in managing the resources entrusted to it. The Fund is overseen by the Pension Fund Committee which is specifically set up as a committee of the London Borough of Barnet Council and has authority under the Council's constitution to approve the Pension Fund Annual Report and Pension Fund Statement of Accounts.

Membership

Membership of the LGPS is voluntary and employees, including non-teaching staff in schools, are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements (except teachers, who have a separate scheme). Organisations participating in the Fund are classed as admitted and scheduled bodies:

- Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies can include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector
- Scheduled Bodies – local authorities, academies, colleges and similar bodies whose staff are automatically entitled to be members of the Fund

The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2020, including the comparative figures. An analysis of membership movement in the year is provided in the note below.

The number of employees contributing to the Fund decreased during the year from 8,630 to 7,828 at 31 March 2020. During the same period, the number of pensioners increased from 8,062 to 8,318 and the number of deferred pensioners increased from 10,803 to 11,695.

	31 March 2020	31 March 2019
Number of employers with active members	65	66
Number of employees in scheme		
London Borough of Barnet	4,880	5,166
Other employers	2,948	3,464
Total	7,828	8,630
Number of pensioners		
London Borough of Barnet	6,166	5,896
Other employers	2,152	2,186
Total	8,318	8,082
Deferred pensioners		
London Borough of Barnet	8,145	7,189
Other employers	3,550	3,614
Total	11,695	10,803
Total number of members in pension scheme	27,841	27,515

NB: Scheme members with multiple roles will be included more than once in the table as will contractors with more than one contracts.

Funding

The Fund is financed by contributions from employers, employees and the income from the Fund's investments. The funding policy aims to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities, allowing for future increases in pay and pensions.

Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers also pay contributions and their rates are set based on triennial actuarial funding valuations. Further details of the last actuarial valuation are given in Note 16.

Benefits

The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to former employees of LBB and those bodies required to participate or otherwise admitted to the Fund referred to as "members". The benefits include not only retirement pensions, but also widows' pensions, death grants and lump sum payments.

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fund account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Augmentation contributions are accounted for when the contributions are receivable, which is mainly when the relevant benefits are paid.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment income

- **Distributions from pooled funds** are recognised at the date of payment. Should there be a timing delay between the date the net asset value is reduced to reflect the distribution and the date of receipt, the income is disclosed in the net assets statement as a current financial asset.
- **Movement in the net market value of investments**-changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.2 Fund account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the London Borough of Barnet is the administering authority of the Fund, VAT input tax is recoverable on all Fund activities.

Members are entitled to request the Pension Funds pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension. Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

- All **administrative expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity, based on estimated time spent, and charged as expenses to the Fund. A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.
- All **oversight and governance expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- All **investment management expenses** are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

3.3 Net assets statement

Financial assets

Investment assets are included in the net assets statement on a fair value or cost basis as at the reporting date. Cash held by fund managers, money market fund investments, long-term investments, receivables and own cash are at amortised cost. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Further details are provided by note 13.

Purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of the transaction. End of year spot market exchange rates are used to value non-sterling denominated investments.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial liabilities

The Fund recognises financial liabilities at amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension Fund. The Fund has appointed Prudential and Aviva as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 19).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The net pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 16.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

There is a significant risk of material adjustment in the forthcoming financial year is as follows.

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. Sensitivity analysis and the effects of changes in individual assumptions on the net pension liability are shown in Note 21.

6. CONTRIBUTIONS RECEIVABLE

By category

	31 March 2020	31 March 2019
	£000	£000
Employees' contributions:	(11,543)	(11,169)
Employers' contributions:		
Normal contributions	(30,948)	(30,731)
Deficit recovery contributions	(16,785)	(15,098)
Augmentation contributions	(4,142)	(2,530)
Total employers' contributions	(51,875)	(48,359)
Total contributions receivable	(63,418)	(59,528)

By authority

	31 March 2020	31 March 2019
	£000	£000
London Borough of Barnet	(34,779)	(30,199)
Scheduled bodies	(23,778)	(22,720)
Admitted bodies	(4,860)	(6,609)
Total contributions receivable	(63,418)	(59,528)

The contributions shown in the table above for the London Borough of Barnet, included the following wholly owned subsidiary of the Council:

Barnet Homes - £2.481 million (2018/19 £2.620 million)

Your Choice - £0.883 million (2018/19: £0.634 million)

7. TRANSFERS IN FROM OTHER PENSION FUNDS

	31 March 2020	31 March 2019
	£000	£000
Individual transfers	(1,839)	(2,422)
Total transfers in from other Pension Funds	(1,839)	(2,422)

8. BENEFITS PAYABLE

By category

	31 March 2020	31 March 2019
	£000	£000
Pensions	47,873	45,507
Commutation and lump sum retirement benefits	8,638	8,662
Lump sum death benefits	909	986
Total benefits payable	57,420	55,154

By authority

	31 March 2020	31 March 2019
	£000	£000
London Borough of Barnet	38,513	37,184
Scheduled bodies	15,021	13,715
Admitted bodies	3,886	4,255
Total benefits payable	57,420	55,154

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2020	31 March 2019
	£000	£000
Refunds to members leaving service	169	149
Individual transfers	7,470	4,443
Total payments to and on account of leavers	7,638	4,592

10. MANAGEMENT EXPENSES

	31 March 2020	31 March 2019
	£000	£000
Administrative costs	913	627
Investment management expenses	7,761	6,426
Oversight and governance costs	862	1,020
Total management expenses	9,536	8,073

Administration costs represent charges from the third-party pension administrator. Oversight and governance costs include staff cost recharges from LB Barnet, actuarial fees, investment advisory fees and audit fees.

10A. INVESTMENT MANAGEMENT EXPENSES

	31 March 2020	31 March 2019
	£000	£000
Management fees	4,559	3,675
Performance related fees	1,377	1,173
Custody fees	15	15
Transaction costs	1,811	1,563
Total investment management expenses	7,761	6,426

11. INVESTMENT INCOME

	31 March 2020	31 March 2019
	£000	£000
Pooled investments – unit trusts and other managed funds	(8,568)	(4,942)
Interest on cash deposits	(29)	(47)
Total investment income	(8,598)	(4,989)

12. AUDIT COSTS

	31 March 2020	31 March 2019
	£000	£000
Payable in respect of external audit	36	36
Total external audit costs	36	36

Prior year audit costs in the above table have been restated to include additional charges agreed after the closure of the accounts.

13. INVESTMENTS

2019/20					
	Market value	Purchases during the year	Sales during the year	Change in market value during the year	Market value
	1 April 2019				31 March 2020
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments	1,127,712	224,913	(213,555)	(71,964)	1,067,106
Money market funds	14,300	58,352	(68,970)		3,682
Long term investments	150				150
	1,142,162	283,265	(282,525)	(71,964)	1,070,938
Other investment balances:					
Cash deposits	10				16
Net investment assets	1,142,172				1,070,954

2018/19					
	Market value	Purchases during the year	Sales during the year	Change in market value during the year	Market value
	1 April 2018				31 March 2019
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments	1,074,130	36,169	(39,035)	56,448	1,127,712
Money market funds	3,500	25,800	(15,000)	0	14,300
Long term investments	150	0	0	0	150
	1,077,780	61,969	(54,035)	56,448	1,142,162
Other investment balances:					
Cash deposits	5				10
Net investment assets	1,077,785				1,142,172

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year and any income attributed to the unitised funds that has been retained by the funds and reinvested. Transaction costs are included in investment management expenses (note 10A).

13A. ANALYSIS OF INVESTMENTS

	31 March 2020	31 March 2019
	£000	£000
Pooled funds – additional analysis		
UK		
Unit trusts	394,627	452,150
UK managed funds	644,923	675,562
Money market funds	3,682	14,300
Non-UK		
Overseas Managed Fund	27,556	0
	1,070,787	1,142,012
Long term investments	150	150
Cash deposits	16	10
Total investment assets	1,070,954	1,142,172

All investments are held through managed pooled entities and comprise underlying investments that are domiciled in both the UK and overseas.

13B. INVESTMENTS ANALYSED BY FUND MANAGER

	Market value	31 March 2020	Market value	31 March 2019
	£000	%	£000	%
Legal and General	394,627	36.7	452,151	39.6
Schroder Investment Management	242,659	22.7	263,900	23.1
LCIV	79,209	7.4	120,528	10.6
Alcentra	55,082	5.1	65,799	5.8
Partners Group	69,835	6.5	57,609	5.0
Barings	32,324	3.0	38,284	3.4
Insight Investments	40,664	3.8	42,498	3.7
M&G Investments	28,753	2.7	30,795	2.7
IFM Investors	67,629	6.3	56,308	4.9
Aberdeen Long Lease Property	28,933	2.7	0	0.0
CBRE	25,390	2.4	0	0.0
Adams Street	2,165	0.2	0	0.0
Aberdeen Standard Life	3,682	0.3	14,300	1.3
	1,070,954	100.0	1,142,172	100.0

Pooling

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The Fund's investments with Legal and General, LCIV (44.2% of investments) are either invested with the LCIV or monitored by them. The table below provides further analysis of the investments as at 31 March 2020 by both asset class and geographical exposure. Additional details of each fund are provided in the investment policy report.

INVESTMENTS ANALYSED BY ASSET CLASS

Asset Class	31 March 2020			31 March 2019		
	£'000	£'000	%	£'000	£'000	%
Equities						
UK	29,181		3%	48,441		4%
Overseas	437,888		41%	538,189		47%
Global	22,356		2%	931		0%
		489,425	46%		587,561	51%
Bonds						
UK	150,408		14%	58,025		5%
Overseas	194,063		18%	152,940		13%
Global	37,942		4%	241,564		21%
		382,413	36%		452,529	40%
Property						
UK	35,302		3%	0		0%
Overseas	24,552		2%	0		0%
		59,854	6%			
Infrastructure		71,139	7%	56,308		5%
Other assets		35,073	3%	62,076		5%
FX Forward derivative		0	0%	-38,292		-3%
Cash		33,050	3%	21,990		2%
Total Investment Assets		1,070,954	100%	1,142,172		100%

Where no geographic split is available, global in the table above represents both UK and overseas. With the exception of Money Market Funds (£3.6 million) none of the investment funds are listed. However, the underlying investments e.g. those managed by Legal and General, may be listed.

The following investments represent more than 5% of the net assets of the scheme. These funds are registered in the UK.

	31 March 2020		31 March 2019	
	£000	as % of investment assets	£000	as % of investment assets
Legal and General RAFI 3000 Tracker Fund	176,988	16.5	219,525	19.2
Legal and General Global Equity Tracker Fund	188,934	17.7	198,716	17.4
Schroder Life Diversified Growth Fund	115,239	10.8	141,644	12.4
LCIV NW Real Return Fund	45,288	4.2	120,378	10.5
Schroder All Maturities Corporate Bond Fund	127,405	11.9	122,247	10.7
IFM Global Infrastructure	67,629	6.3	56,308	4.9

13C. FAIR VALUE – BASIS OF VALUATION

Financial assets are shown in the Net Asset Statement at Fair Value. Fair Value has been determined as:

- Unit trust investments are stated at the latest closing bid prices quoted by their respective managers as at 31 March 2020.
- UK managed funds are stated at net asset value as calculated by their respective managers as at 31 March 2020
- Money market funds are valued at net asset value (which to date has always been equal to cost) as calculated by the fund manager.

13D. FAIR VALUE – HIERARCHY

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and exchange traded quoted unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. This included unit trusts priced by the fund managers that are not held as exchange traded funds.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

31 March 2020				
	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
	£000	£000	£000	
Financial Assets				
Fair value through profit and loss		1,067,256		
Amortised cost	3,697			
Total financial assets	3,697	1,067,256		0
Grand Total:				1,070,954

31 March 2019			
	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs
	Level 1	Level 2	Level 3
	£000	£000	£000
Financial Assets			
Fair value through profit and loss		1,127,862	
Amortised cost	14,310		
Total financial assets	14,310	1,127,862	0
Grand Total:			1,142,172

14. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

	31 March 2020			31 March 2019		
	Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised cost	Fair value through profit and loss	Amortised cost	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial assets						
Pooled investments	1,067,106			1,127,712		
Cash and cash equivalents		8,994			19,101	
Other investment balances		150			150	
Receivables		6,416			6,859	
Total financial assets	1,067,106	15,560	0	1,127,711	26,110	0
Financial liabilities						
Creditors			(3,233)			(1,686)
Total financial liabilities	0	0	(3,233)	0	0	(1,686)
Total	1,067,106	15,560	(3,233)	1,127,711	26,110	(1,686)
Grand Total			1,079,433			1,152,136

The net return on investments is wholly attributable to assets held at fair value through the profit and loss with the exception of interest earned on cash balances of £30,000 (2018/19: £47,000) classified as loans and receivables.

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to have a reasonable probability of achieving in the long-term returns at least in line with the 'prudent' return set by the Scheme Actuary when calculating the required employers' contributions. The Fund achieves this through selection of appropriate returning asset classes, asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund in accordance with its Investment Strategy Statement.

The administering authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks.

The Pension Fund Committee has prepared an Investment Strategy Statement which sets out the Pension Fund's policy on matters such as the type of investments to be held, the balance between types of investments, investment restrictions and the way risk is managed. Investment performance by external investment managers is reported to the Pension Fund Committee quarterly. Performance of Pension Fund investments managed by external Investment managers is compared to benchmark returns.

15A. Market risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities.

The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016. Details of the (Management and Investment of Funds) regulations 2016 can be found in the Investment Strategy Statement adopted by Pension Fund Committee on 14th March 2017 (updated 26th March 2019).

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

Following analysis of historical data and expected investment return movement during the financial year, the Council has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period.

Asset type	Potential market movements (+/-)
Pooled investments	7%

The 7% assumed volatility for pooled assets as at 31st March 2020 is based on the largest negative movement in the value of the fund's assets recorded in the last 10 years. This compares with an average annual change in value (positive or negative) during that period of 6.5%. It should be noted that large changes in value in one direction are often followed by a reversal. For example, in the 2018-19 accounts the largest ten-year movement was reported as 18% loss in 2008/9, which was followed by a 26% gain in 2009/10. Similarly the fund suffered a 13.3% decline in Q1, 2020 due to Covid-19 followed by a 10.5% gain in Q2, 2020. The assumed volatility for cash balances is 1%.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset type	Value as at	Potential value	Potential value
	31 March 2020	on increase	on decrease
	£000	£000	£000
Pooled investments	1,067,106	1,141,804	992,409
Total	1,067,106	1,141,804	992,409

Asset type	Value as at	Potential value	Potential value
	31 March 2019	on increase	on decrease
	£000	£000	£000
Pooled investments	1,127,712	1,330,701	924,724
Total	1,127,712	1,330,701	924,724

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Assets exposed to interest rate risk	Value as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	8,994	90	9,084	8,904
Total	8,994	90	9,084	8,904

Assets exposed to interest rate risk	Value as at 31 March 2019	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	19,101	191	19,292	18,910
Total	19,101	191	19,292	18,910

In addition to cash balances, the fund holds bonds and credit instruments with a value of £382.4 million as at 31 March 2020 (2018/19: £452.5 million). Changes in interest rates impact on both the value and future income of these bonds. An increase in interest rates will not affect the value of short-term and variable rate instruments but increase the income, whereas for longer duration bonds, the income is not impacted by a change in interest rates, but the bond value will decline if interest rates increase. The possible impact of changes in interest rates is captured within the 7% volatility for pooled funds above. However, in isolation, if we are to assume that bonds are variable / short-dated, a 1% increase in interest rates will add £3.8 million (2018/19: £4.5 million) in annual income. A decrease in interest rates will lead to a similar scale reduction in annual income.

The Pension Fund holds financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies against sterling. This risk is deemed acceptable as the investments are widely diversified by currency and the scheme's short-term expenditure liquidity requirements are broadly covered by contributions and income. Many of the overseas investments are hedged into sterling by the investment managers. After hedging, the net exposure to non-sterling currencies is £318.6 million (2018/19: £362.3 million). The most significant non-sterling exposure is to the US dollar (£150.3 million as at 31.3.20). A 10% change in the relative value of sterling would change the value of investments by £31.9 million (2018/19: £36.2 million). This risk is a sub-set of the market risk calculation above.

15B. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the Pension Fund reviews its exposure to credit and counterparty risk through its external investment managers by review of the managers' annual internal control reports to ensure that managers exercise reasonable care and due diligence in their activities for the Pension Fund.

As at 31 March 2020 working capital was held in the Pension Fund bank account with NatWest Bank and in a money market fund with Aberdeen Standard Life, in accordance with the credit rating criteria within the Council's Treasury Management Strategy. Pension administration working capital was held in a bank account operated by Capita Employee Benefits (CEB) on behalf of the Pension Fund.

Summary	Rating	Source	Balances as at 31 March 2020 £000	Balances as at 31 March 2019 £000
Standard Life MMF cash	AAAm	Moody's	3,682	14,300
Royal Bank of Scotland	A1	Moody's	5,297	6,196
Cash held by Fund Managers			15	10
Total			8,994	20,506

15C. Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension Fund has a comprehensive cash flow management system that seeks to ensure that the cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours. The Fund is also able to sell units in its Pooled Investment Vehicles if required, most of which can be realised within one month.

The key refinancing risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its investment strategy.

16. ACTUARIAL VALUATION

Hymans Robertson LLP were appointed as fund actuary in 2016 and undertook a formal triennial actuarial valuation of the fund as at 31 March 2019 in accordance with the Local Government Pension Scheme Regulations 2013. The actuarial valuation calculates the contribution rate payable by the employers, including the LBB Council, to meet the administering authority's funding objectives.

The funding level at 31 March 2019 was 86% (2016: 73%). This corresponded to a shortfall on the funding target of £190 million (2016: £339 million). The aggregate primary contribution rate for 2019/20 was a primary rate of 17.9% of pensionable pay plus a secondary contribution of £16.047 million. Under the new schedule of contributions effective from 1 April 2020 the aggregate primary rate is 20.6% and the secondary contribution for 2020/21 is £11.142 million. This is the average required employer contribution to restore the funding position to 100% over the next 17 years.

The assumptions used for the triennial valuation were:

Financial assumptions

	31 March 2019	31 March 2016
	%	%
Discount rate	4.4	4.2
CPI	2.3	2.1
Pension increases rate	2.3	2.1
Salary increases rate	3.0	2.4

Demographic assumptions

	31 March 2019	31 March 2016
Life expectancy from age 65		
Retiring today:		
Males	21.7	21.9
Females	24.0	24.3
Retiring in 20 years:		
Males	22.9	23.9
Females	25.7	26.5
Other demographic assumptions		
Commutation	50%	50%
50:50 option	1%	5%

The 2019 triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 13 February 2020. The next actuarial valuation will be based on the value of the fund as at 31 March 2022.

17. CURRENT ASSETS

	31 March 2020	31 March 2019
	£000	£000
Contributions due – employees	846	799
Contributions due – employers	5,582	5,805
Sundry debtors	(12)	255
Cash balances	5,297	4,790
Total current assets	11,713	11,649

18. CURRENT LIABILITIES

	31 March 2020	31 March 2019
	£000	£000
Sundry creditors	(2,478)	(1,253)
Benefits payable	(755)	(432)
Total current liabilities	(3,233)	(1,685)

19. ADDITIONAL VOLUNTARY CONTRIBUTIONS

	Market value 31 March 2020	Market value 31 March 2019
	£000	£000
Aviva	506	506
Prudential	2,769	2,889
Total AVC	3,275	3,395

AVC contributions of £0.391m (2018/19: £0.518m) were paid directly to Prudential and £0.005m (2018/19: £0.007m) were paid to Aviva during the year.

20. RELATED PARTY TRANSACTIONS

The London Borough of Barnet Pension Fund is administered by the London Borough of Barnet. Consequently, there is a strong relationship between the Council and the Pension Fund. During the reporting period, the Council incurred costs of £1.099m (2018/19: £1.319m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £34.779 million to the Fund in 2019/20 (2018/19: £30.198 million) [should this be £30.393m?]. These amounts include employee

contributions of £5.776 million (2019/20) and £5.432 million (2018/19) and also contributions from companies wholly owned by the Council. As at 31 March 2020 the Council (including subsidiaries) owed the Pension Fund £3.005 million in pension contributions (£3.580 million as at 31 March 2019).

Governance

One member of the Pension Fund Committee as at 31 March 2020 is in receipt of a pension from the Barnet Pension Fund. There are no active members of the Fund that are members of the Pension Fund Committee. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

20A. KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Chief Executive, the s.151 officer and the Deputy s.151 officer. The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below.

	31 March 2020	31 March 2019
	£000	£000
Short-term benefits	44	48
Post-employment benefits	12	13
Total remuneration	57	61

21. PENSION FUND ACCOUNTS REPORTING REQUIREMENT

The statement below is prepared by the Scheme Actuary.

Introduction

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority, the London Borough of Barnet Council, to provide the necessary information for the London Borough of Barnet Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2020	31 March 2019
Active members (£m)	637	874
Deferred members (£m)	482	496
Pensioners (£m)	724	676
Total (£m)	1,843	2,046

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £158m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £51m.

Financial assumptions

Year ended (% p.a.)	31 March 2020	31 March 2019
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.6%	2.8%
Discount Rate	2.3%	2.4%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.0 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.9 years	25.7 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	154
0.5% p.a. increase in the Salary Increase Rate	1%	17
0.5% p.a. decrease in the Real Discount Rate	9%	172

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a one year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2020 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-



Gemma Sefton FFA

7 May 2020

For and on behalf of Hymans Robertson LLP

22. CONTINGENT LIABILITIES

Barnet College and Southgate College merged in 2011. As part of the merger the active employees of Southgate College transferred to the LB Barnet Pension Fund whereas deferred and Pensioner members remained with LB Enfield Pension Fund. LB Barnet Pension Fund assumed responsibility for past service accrued benefits and on-going benefits for the transferred employees from the LB Enfield Pension Fund. LB Enfield Pension Fund has requested a transfer value buy-out from LB Barnet Pension Fund or Barnet Southgate College estimated at £4.2 million to fund the liability shortfall for the deferred and pensioner members based on a cessation funding formula.

The Council has sought advice from the Scheme Actuary who stated that the original LB Enfield proposal to seek settlement of the liability on a cessation funding basis was not out of line with other similar cases. However, the Pension Fund may be able to mitigate some of the cost through agreeing a direction order for the transfer. This approach is also supported by the latest legal opinion obtained by the Council.

Negotiations are still on going with LB Enfield to agree a way forward which may result in the LB Barnet Pension Fund not having to make payments to LB Enfield Pension Fund by agreeing that LB Enfield's pensioners and deferred members being transferred into the LB Barnet Fund, with LB Barnet Pension Fund receiving a share of LB Enfield Pension Fund's assets attributable to the Southgate liabilities.

The process is not concluded and at this stage the potential liability for LB Barnet Pension Fund remains uncertain.

23. EVENTS AFTER THE REPORTING PERIOD

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.



Pension Fund Committee

7 October 2020

Title	Barnet Council Pension Fund - Performance for the Quarter to 30 June 2020
Report of	Director of Finance
Wards	N/A
Status	Public except for exempt Appendix E
Urgent	No
Key	No
Enclosures	<p>Appendix A – Market Value of Investments as at 31 August 2020</p> <p>Appendix B - Asset Allocation as at 31 August 2020</p> <p>Appendix C - Review of Investment Managers Performance for 2nd quarter of 2020 (Hymans Robertson)</p> <p>Appendix D – August performance update (Hymans Robertson)</p> <p>Appendix E - Review of Fund Managers (Hymans Robertson) (exempt)</p> <p>Exempt enclosure - Not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)).</p>
Officer Contact Details	George Bruce, Head of Treasury, George.bruce@barnet.gov.uk - 0208 359 7126
Summary	
This report comprises Hymans Robertson's review of the fund's performance in the quarter to 30 June 2020 together with their assessment of the individual manager's capabilities. An updated fund valuation as at 31 August 2020 is also provided.	
Officers Recommendations	
That the Pension Fund Committee note the performance of the Pension Fund for the quarter to 30 June 2020.	

1. WHY THIS REPORT IS NEEDED

- 1.1 To ensure that the Pension Fund is being invested prudently and in accordance with the Pension Fund investment strategy.

Fund Valuation

- 1.2 The valuation of the fund as at 30 June 2020 was £1,210.0 million (appendix B), an increase of £130.8 million (12.1%) compared with the 31 March 2020 valuation of £1,079.2 million. Since June valuations have continued to recover and as at 31 August were £1,246.5 million, almost identical to that recorded as at 31 December 2019 pre Covid-19 of £1,242.9 million.
- 1.3 As discussed on pages 24 & 25 of the Hymans Report (appendix D) financial markets having initially reacted badly to the spread of Covid-19 and the impact on economic activity of global lockdowns, have now started to look beyond to the expected recovery as lockdown measures are eased. Markets remain fragile and it will be no surprise to see occasional price corrections in the coming months. The chart on appendix A highlights the longer-term upward trend in fund values. The three mandates valued in US dollars (Adams Street, CBRE and IFM) all record declines in values post June as sterling strengthened from \$1.24 to \$1.335, representing a 7.5% fall in the value of US\$ denominated assets.

Performance Summary

- 1.4 The Fund returned 10.5% in the quarter (see page 6 of Hyman's report) with only one fund manager recording a negative return (Alcentra European Direct Lending) due to their valuations being one quarter out of date. In view of the dramatic market movements in the first half of 2020 it is perhaps best to focus on the longer term (three year) performance, with the annualised return of 3.7% lagging the benchmark by 1.7% p.a. Only IFM (infrastructure) and Schroders Corporate bonds have consistently exceeded benchmark.
- 1.5 The Hymans report has been revised to disclose the performance of the various components of the Legal and General portfolio. The most notable feature is the relative performance of RAFI (3-years: -0.2% p.a.) which is tilted towards value stocks compared with World ex UK (3 years: 9.5% p.a.) the latter have a higher allocation to tech stocks.

Investment Manager Ratings

- 1.6 Hymans provide ratings for all the investment managers. These are shown on page 4 of appendix D. Most of the mandates are rated at Hymans' highest level of conviction (preferred). The exceptions are the two DGF's funds rated as suitable and the Schroders' Corporate Bonds mandate rated as positive. There is no change during the quarter, with the Standard Life Long Lease fund "on watch". This is explained on page 12 of their report as due to changes in the management team at Aberdeen Standard Investments, although they continue to have a preferred rating on the fund.

- 1.7 Hymans have added Responsible Investment ratings for each fund in the portfolio on page 4. The funds we invest in are mainly rated 'good' [defined as "reasonable evidence of good RI practices" – see page 29], with Legal & General rated 'strong' and four funds [LCIV Emerging Markets Equity, Standard Life Long Lease property, Barings and IFM] rated 'adequate'.

Fund Manager Transactions

- 1.8 Since 30 June 2020 the final £20 million has been invested with LCIV Emerging Markets equity fund and a £3 million drawdown by Partners 2019 private debt partly funded by distributions from their earlier funds. Transactions are highlighted in appendix B. There were no withdrawals other than manager initiated distributions. Outstanding commitments at 31 August 2020 are:

Alcentra European Direct Lending	£10 million [some distributions are recallable]
Partners 2019 MAC	£4.5 million
Adam Street	\$62 million

Allocations v Strategy

- 1.9 Appendix B highlights the portfolio positions compared with benchmark. The significant underweights are private equity (4.6%), property (5.7%) and illiquid credit (3.5%). The cash for these commitments are currently invested in the two diversified growth mandates.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The terms of reference of the Pension Fund Committee require the Committee to review and challenge the fund managers' quarterly investment performance against benchmarks and targets.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 The Chief Financial Officer will carry out any actions considered necessary.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 To ensure that the Pension Fund is being invested prudently and to the best advantage to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy. The Pension Fund is a long-term investor and short-term volatility of investment return is expected. In the longer term, the appointed fund managers are expected to deliver positive returns in accordance with the Fund benchmarks. The global diversification of the Pension Fund portfolio gives some protection against the market volatility. The funding level of the Scheme uses a valuation of the future liabilities discounted using gilt yields. The mismatch between assets held and the method of valuing future liabilities will also result in volatility of funding levels.

5.3 Social Value

5.3.1 Membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 Constitution – Under article 7 one of the responsibilities of the Pension Fund Committee is ‘To review and challenge at least quarterly the Pension Fund investment managers’ performance against the Statement of Investment Principles [now Investment Strategy Statement] in general and investment performance benchmarks and targets in particular.’

5.4.2 Regulation 9 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provides the power to appoint investment managers. The regulations no longer have a specific reference to monitoring investment managers but state “the authority must reasonably believe that the investment manager’s ability in and practical experience of financial matters make that investment manager suitably qualified to make investment decisions for it.” Only through periodic monitoring can the Committee achieve this requirement.

5.5 Risk Management

5.5.1 A key risk is that of poor investment performance. The performance of the fund managers is monitored by the Pension Fund Committee every quarter with reference to reports from Hymans Robertson, the Pension Fund investment adviser. If a fund manager’s performance is considered inadequate, the fund manager can be replaced.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and 3) fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy,

and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The public sector equality duty requires public authorities in carrying out their functions to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not applicable

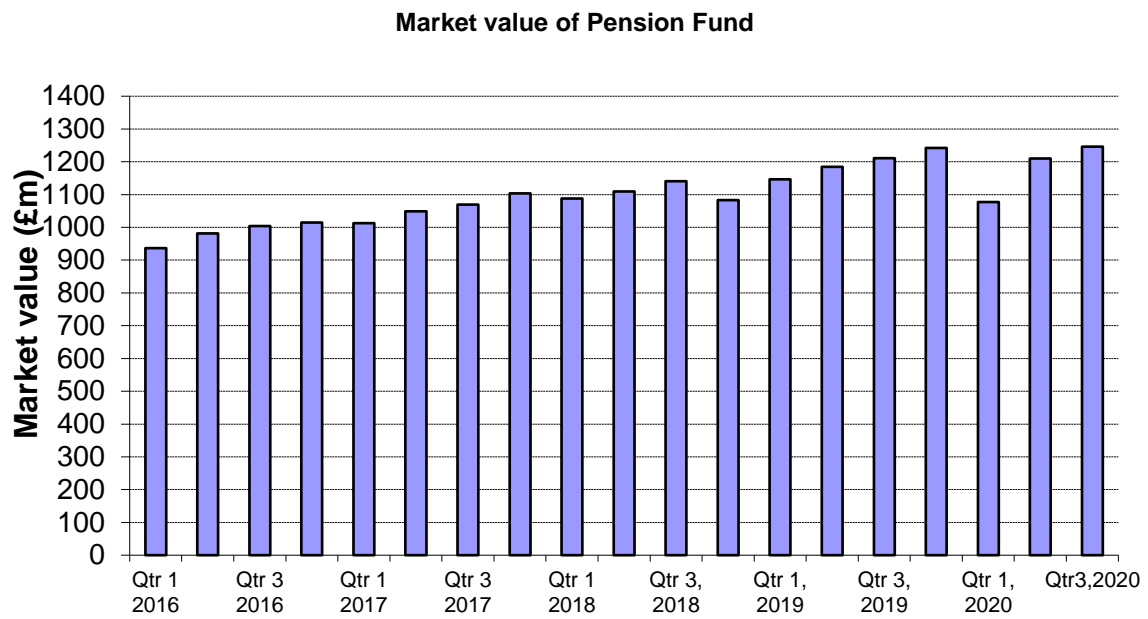
5.9 **Insight**

5.8.1 Not applicable

6. **BACKGROUND PAPERS**

6.1 None

Appendix A – Market Value of Investments as at 31 August 2020



Appendix B - Asset Allocation as at 31 August 2020

		30-Jun-20	Transactions	31-Aug-20			Target	
		£	£	£	%	%	Allocation	%
Equities						44.64%		50.00
LGIM Global	Aug-20	259,317,532		274,261,150	22.00%		20.00	
LGIM RAFI	Aug-20	202,425,476		212,947,653	17.08%		20.00	
Emerging Markets	Aug-20	40,942,108	20,000,000	64,945,490	5.21%		5.00	
Private Equity	Mar-20	4,622,953		4,293,979	0.34%		5.00	
Property						4.30%		10.00
Core UK Commercial							5.00	
Aberdeen Standard Long Lease	Jun-20	28,933,000		29,012,830	2.33%		2.50	
CBRE Global	Jun-20	26,341,409		24,600,915	1.97%		2.50	
Diversified Growth						14.76%		0.00
Schroder	Aug-20	126,936,055		132,639,120	10.64%		0.00	
BNY Mellon (Newton)	Aug-20	48,892,475		51,315,339	4.12%		0.00	
Multi Credit Liquid						9.13%		11.00
Baring Global High Yield	Aug-20	36,170,929		37,488,086	3.01%		3.50	
Alcentra	Jul-20	32,347,860		33,892,170	2.72%		3.50	
Insight Secured Finance	Aug-20	41,769,334		42,460,180	3.41%		4.00	
Corporate Bonds						11.04%		10.00
Schroder		136,730,533		137,566,866	11.04%		10.00	
Illiquid Alternatives						15.53%		19.00
Alcentra	Jun-20	24,060,007		23,736,119	1.90%		4.00	
Partners Group	Jul-20	71,141,277	-1,318,764	73,668,261	5.91%		7.00	
M&G Lion Credit Opport	Aug-20	29,945,061	-270,836	30,388,008	2.44%		3.00	
IFM Global Infrastruct	Aug-20	68,915,256		65,818,170	5.28%		5.00	
Cash		30,520,238		7,454,651	0.60%	0.60%	0.00	0.00
Total		1,210,011,503	18,410,400	1,246,488,987	100.00%	100.00%	100.00	100.00

This page is intentionally left blank

London Borough of Barnet Pension Fund

Q2 2020 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant
Yoel Deal – Associate Investment Consultant
Greg Illingworth – Investment Analyst
Hansinee Khoobloll – Investment Analyst

16

Hymans Robertson LLP is authorised and regulated by
the Financial Conduct Authority

HYMANS  ROBERTSON

Executive Summary

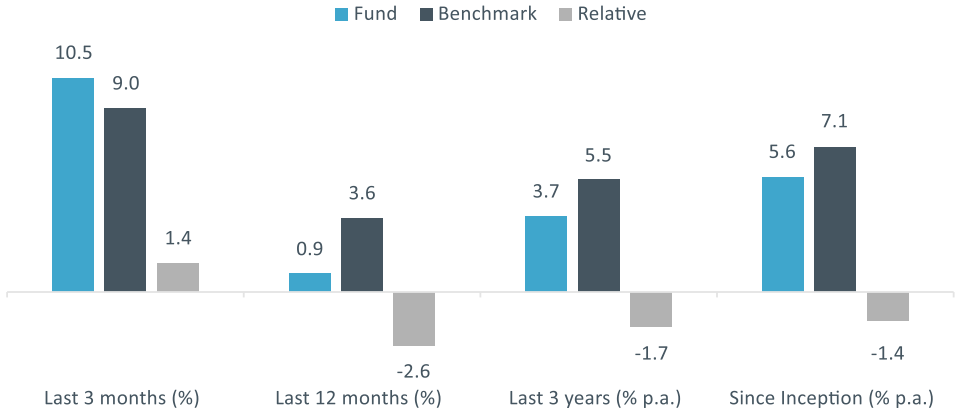
Fund assets totalled c.£1,214m at the end of Q2 2020, an increase of c.£134.5 m from the end of the previous quarter.

The Fund's assets returned 10.5% (net of fees) over the quarter, outperforming the benchmark by +1.4%.

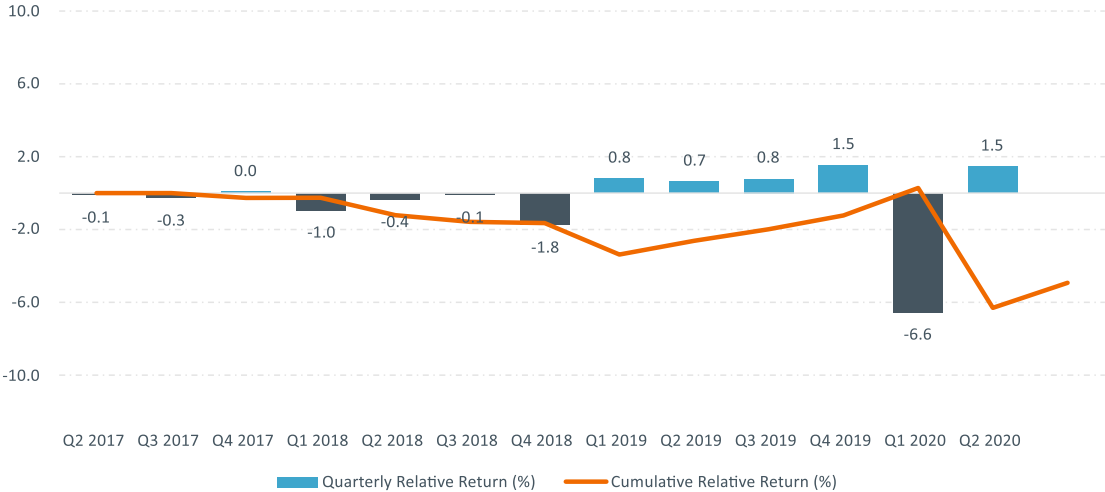
Key Actions

Adams Street Partners called 5.25% (c.\$3.5m) of committed capital in Q2.

Historic quarterly performance (net of fees)



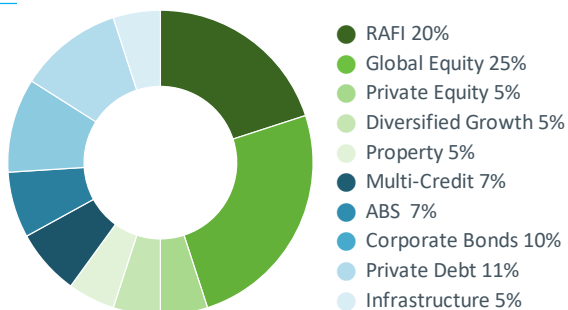
Relative quarterly and relative cumulative performance 3y (gross of fees)



Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2020	Q2 2020			
LGIM FTSE RAFI All World 3000 Equity Index GBP Hdgd	177.1	202.6	16.7%	20.0%	-3.3%
LGIM UK Equity	11.0	12.2	1.0%	20.0%	1.4%
LGIM World ex UK Dev Equity Index	103.1	124.1	10.2%		
LGIM World ex UK Dev Equity Index GBP Hdgd	86.0	102.2	8.4%		
LGIM World Emerging Markets Equity Index	17.7	21.1	1.7%		
LCIV Emerging Markets Fund	33.8	40.9	3.4%	5.0%	-1.6%
BNY Mellon Real Return Fund	45.3	48.9	4.0%	0.0%	4.0%
Schroder Life Diversified Growth Fund	115.2	126.9	10.5%	5.0%	5.5%
Adams Street 2019 Global Fund LP	2.0	4.7	0.4%	5.0%	-4.6%
Standard Life Long Lease Property Fund	28.9	29.0	2.4%	2.5%	-0.1%
CBRE GIP Global Alpha Fund	25.0	26.4	2.2%	2.5%	-0.3%
Total Growth	645.2	739.0	60.9%	60.0%	0.9%
Alcentra Multi-Credit	29.8	33.1	2.7%	3.5%	-0.8%
Barings Multi-Credit	32.3	36.2	3.0%	3.5%	-0.5%
Insight Secured Finance Fund	40.7	41.8	3.4%	4.0%	-0.6%
M&G ABS Alternative Credit Fund	28.8	30.3	2.5%	3.0%	-0.5%
Schroder All Maturities Corporate Bond Fund	127.4	136.7	11.3%	10.0%	1.3%
Alcentra Direct Lending	28.8	25.3	2.1%	3.0%	-0.9%
Partners Group MAC 2015	18.1	17.9	1.5%	2.5%	-1.0%
Partners Group MAC 2017	30.4	31.3	2.6%	3.0%	-0.4%
Partners Group MAC V	21.3	22.7	1.9%	2.5%	-0.6%
IFM Global Infrastructure	67.6	69.2	5.7%	5.0%	0.7%
Total Income	425.2	444.4	36.6%	40.0%	-3.4%
Cash	8.8	30.5	2.5%	0.0%	2.5%
Total Fund	1,079.2	1,213.8	100.0%	100.0%	

Strategic allocation



The Q2 20 valuation for Alcentra Direct Lending and CBRE Global Alpha are as at Q1 20, due to a lag applied by the manager. Adams Street Partners valuation is an estimate using Q1 valuation adjusted for the capital call on 29 June.

The allocation chart summarises by asset class the diverse range of assets invested across 7 Growth mandates and 8 Income mandates (grouping Partners Group as one).

Manager performance (gross of fees)

The table shows a summary of the Fund performance, gross of investment management fees, over selected time periods.

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM FTSE RAFI All World 3000 Equity Index GBP Hdgd	14.4	14.4	0.0	-9.8	-9.8	0.0	-0.2	-0.1	0.0	4.1	4.1	0.0
LGIM UK Equity	10.2	10.2	0.1	-12.9	-13.0	0.1	-1.5	-1.6	0.1	3.8	3.7	0.1
LGIM World ex UK Dev Equity Index	20.4	20.4	0.0	7.7	7.7	0.0	9.5	9.5	0.0	14.4	14.3	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	18.9	18.9	0.0	n/a	n/a	n/a	n/a	n/a	n/a	1.7	1.7	0.0
LGIM World Emerging Markets Equity Index	18.7	18.8	-0.1	-0.7	-0.6	-0.1	4.3	4.3	0.0	11.1	11.1	0.0
LCIV Emerging Markets Fund	21.4	18.5	2.5	n/a	n/a	n/a	n/a	n/a	n/a	5.6	2.2	3.3
BNY Mellon Real Return Fund	8.0	1.0	6.9	1.8	4.6	-2.7	3.7	4.6	-0.9	3.9	4.6	-0.7
Schroder Life Diversified Growth Fund	10.2	1.4	8.7	1.5	5.9	-4.2	2.5	6.6	-3.9	4.2	7.3	-2.9
Standard Life Long Lease Property Fund	0.4	2.9	-2.4	5.2	13.2	-7.1	n/a	n/a	n/a	4.5	10.7	-5.7
CBRE GIP Global Alpha Fund	5.3	2.5	2.7	n/a	n/a	n/a	n/a	n/a	n/a	3.9	7.7	-3.5
Income												
Alcentra Multi-Credit	11.6	1.1	10.3	-6.7	4.8	-10.9	0.4	4.7	-4.2	3.0	4.6	-1.5
Barings Multi-Credit	12.1	1.4	10.6	-5.8	5.8	-10.9	0.2	5.8	-5.3	3.2	5.7	-2.4
Insight Secured Finance Fund	2.9	1.1	1.7	-2.5	4.8	-7.0	2.0	4.8	-2.7	2.0	4.8	-2.7
M&G ABS Alternative Credit Fund	5.4	0.5	4.8	-0.7	2.4	-3.1	1.6	2.4	-0.8	2.0	2.4	-0.4
Schroder All Maturities Corporate Bond Fund	7.3	6.8	0.5	9.1	6.4	2.5	5.6	4.4	1.2	6.9	6.3	0.6
Alcentra Direct Lending	-4.4	2.3	-6.6	1.7	9.5	-7.2	6.5	9.5	-2.8	6.6	9.5	-2.7
Partners Group MAC 2015	2.3	1.4	0.9	2.3	5.8	-3.3	n/a	n/a	n/a	4.6	5.1	-0.5
Partners Group MAC 2017	3.1	1.4	1.7	2.7	5.8	-2.9	n/a	n/a	n/a	4.0	5.1	-1.1
Partners Group MAC V	6.6	1.4	5.2	-0.5	5.1	-5.3	n/a	n/a	n/a	-0.5	5.1	-5.3
IFM Global Infrastructure	2.4	2.4	0.0	13.2	10.0	3.0	n/a	n/a	n/a	13.9	10.0	3.6
Total	10.6	9.0	1.5	1.3	3.6	-2.2	4.0	5.5	-1.4	6.0	7.1	-1.0

The Q2 20 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q1 20, due to a lag applied by the manager. Alcentra Multi-Credit performance is estimated by the manager for June.

Hymans Robertson calculate the performance numbers for the Partners Group, Alcentra Direct Lending and IFM Global Infrastructure mandates, these may differ to the managers net IRR

Source: Fund performance provided by Investment Managers and is gross of fees.
Benchmark performance provided by Investment Managers and DataStream.

Manager performance (net of fees)

The table shows a summary of the Fund performance, net of investment management fees, over selected time periods.

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM FTSE RAFI All World 3000 Equity Index GBP Hdgd	14.4	14.4	0.0	-9.9	-9.8	-0.1	-0.2	-0.1	-0.1	4.0	4.1	-0.1
LGIM UK Equity	10.2	10.2	0.0	-12.9	-13.0	0.1	-1.5	-1.6	0.1	3.8	3.7	0.1
LGIM World ex UK Dev Equity Index	20.4	20.4	0.0	7.7	7.7	0.0	9.5	9.5	0.0	14.4	14.3	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	18.9	18.9	0.0	n/a	n/a	n/a	n/a	n/a	n/a	1.7	1.7	0.0
LGIM World Emerging Markets Equity Index	18.7	18.8	-0.1	-0.7	-0.6	-0.1	4.3	4.3	0.0	11.0	11.1	0.0
LCIV Emerging Markets Fund	21.3	18.5	2.4	n/a	n/a	n/a	n/a	n/a	n/a	5.3	2.2	3.0
BNY Mellon Real Return Fund	7.9	1.0	6.8	1.2	4.6	-3.3	3.1	4.6	-1.5	3.3	4.6	-1.3
Schroder Life Diversified Growth Fund	10.1	1.4	8.5	0.9	5.9	-4.8	1.9	6.6	-4.4	3.6	7.3	-3.5
Standard Life Long Lease Property Fund	0.3	2.9	-2.6	4.7	13.2	-7.5	n/a	n/a	n/a	4.0	10.7	-6.0
CBRE GIP Global Alpha Fund	5.2	2.5	2.6	n/a	n/a	n/a	n/a	n/a	n/a	3.5	7.7	-3.9
Income												
Alcentra Multi-Credit	11.4	1.1	10.2	-7.2	4.8	-11.4	-0.1	4.7	-4.6	2.5	4.6	-1.9
Barings Multi-Credit	12.0	1.4	10.5	-6.3	5.8	-11.4	-0.4	5.8	-5.8	2.7	5.7	-2.8
Insight Secured Finance Fund	2.8	1.1	1.6	-2.9	4.8	-7.3	1.6	4.8	-3.0	1.6	4.8	-3.0
M&G ABS Alternative Credit Fund	5.3	0.5	4.7	-1.0	2.4	-3.4	1.3	2.4	-1.1	1.7	2.4	-0.7
Schroder All Maturities Corporate Bond Fund	7.3	6.8	0.4	8.9	6.4	2.4	5.4	4.4	1.0	6.7	6.3	0.5
Alcentra Direct Lending	-4.7	2.3	-6.9	0.4	9.5	-8.3	5.2	9.5	-4.0	5.3	9.5	-3.8
Partners Group MAC 2015	2.1	1.4	0.7	1.5	5.8	-4.0	n/a	n/a	n/a	3.8	5.1	-1.2
Partners Group MAC 2017	2.9	1.4	1.5	2.0	5.8	-3.6	n/a	n/a	n/a	3.2	5.1	-1.8
Partners Group MAC V	6.4	1.4	5.0	-1.2	5.1	-5.9	n/a	n/a	n/a	-1.2	5.1	-5.9
IFM Global Infrastructure	2.3	2.4	-0.2	12.4	10.0	2.2	n/a	n/a	n/a	13.1	10.0	2.8
Total	10.5	9.0	1.4	0.9	3.6	-2.6	3.7	5.5	-1.7	5.6	7.1	-1.4

The Q2 20 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q1 20, due to a lag applied by the manager. Alcentra Multi-Credit performance is estimated by the manager for June.

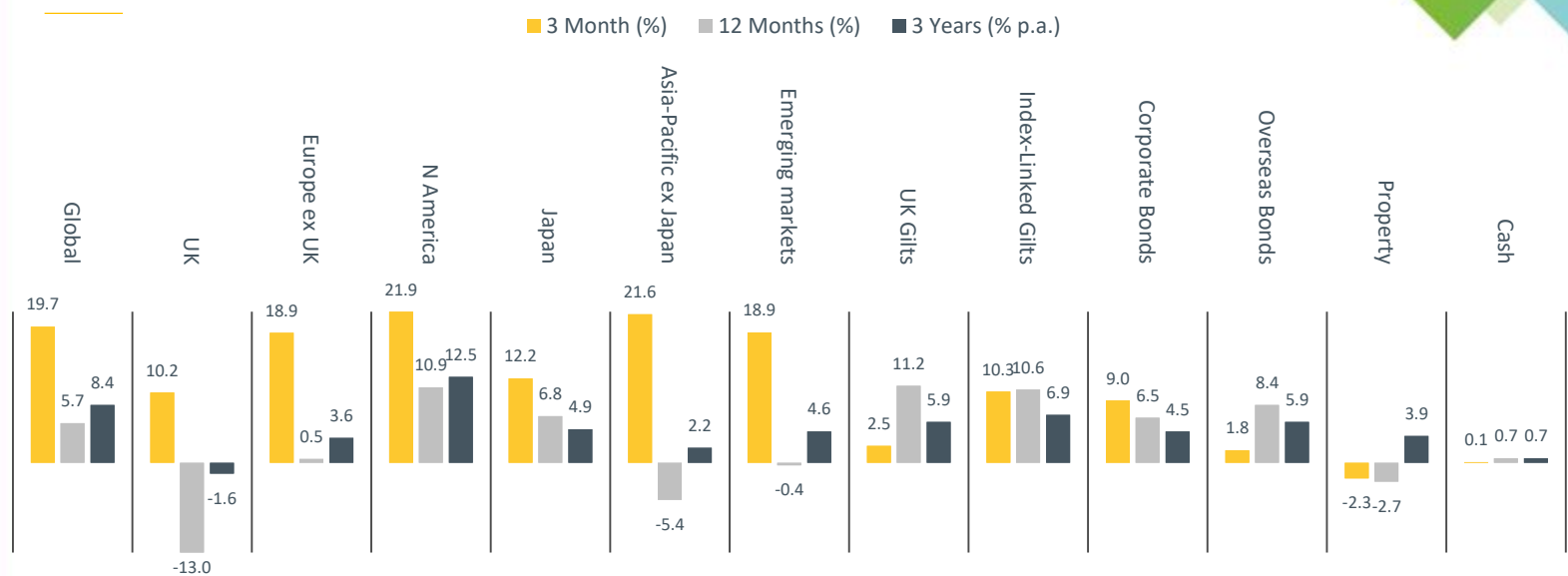
Hymans Robertson calculate the performance numbers for the Partners Group, Alcentra Direct Lending and IFM Global Infrastructure mandates, these may differ to the managers net IRR

Q1 figures confirmed GDP had fallen across the world since the end of 2019. As many of the developed economies went into lockdown during March, falls in second-quarter GDP are likely to be even greater. Purchasing Managers' Indices for both services and manufacturing in the major western economies plunged to record lows in April but, after rebounding in May, saw record rises in June. Though remaining at a level consistent with further economic contraction since May, most commentators suggested the sharp rise from May's numbers provided a better guide to the likely growth in output over the month.

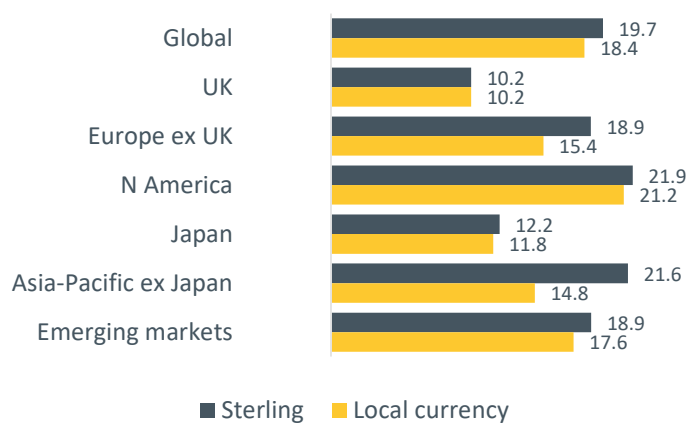
Forecasts for global GDP growth in 2020 as a whole have fallen significantly since the end of the first quarter. However, there has been some moderation in the pace of downgrades to global 2020 GDP data, with some country-level exceptions. UK CPI inflation fell from 1.5% in March to 0.5% in May. Lower energy prices made a big contribution to the fall but core inflation (excluding food and energy) has also fallen from 1.6% to 1.2%, as low as it has been since 2016.

In April, the Fed significantly expanded the corporate credit purchase programmes it had announced in March to include, for the first time, speculative-grade debt. In June, the European Central Bank announced a further €600bn of QE and the Bank of England raised its QE programme from £645bn to £745bn. Sterling consolidated the rebound from its late-March depths in April, but subsequently weakened. In trade-weighted terms, it has fallen more than 2% since the end of March.

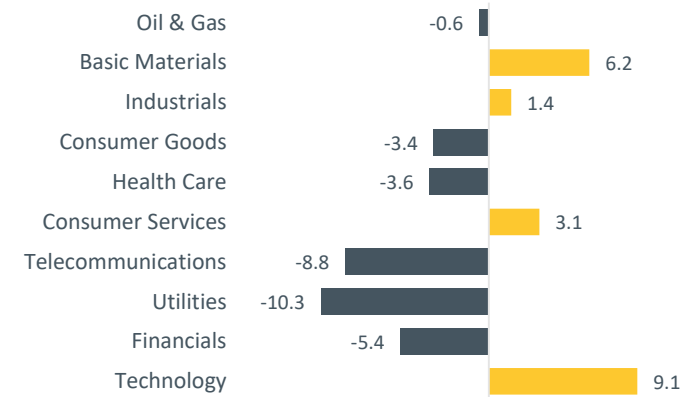
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



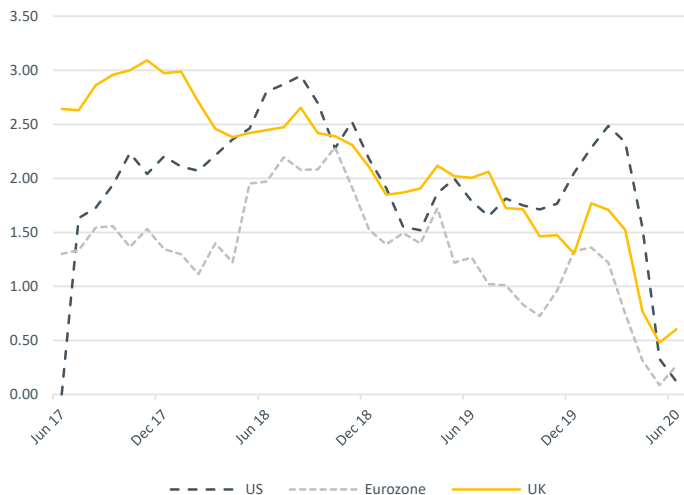
[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices [3] Relative to FTSE All World Indices.

Sovereign bond yields changed little in the US and Germany, but UK 10-year gilts fell a further 0.2%. Index-linked gilt yields fell further than conventional gilt yields, resulting in a slight rise in implied inflation. Reflecting the expansion of central bank support, global investment-grade spreads fell from 2.8% p.a. to 1.6% p.a. Global speculative-grade credit spreads fell from 9.2% p.a. to 6.4% p.a., further supported by the specific details of the Fed's purchases and a rise in oil prices from \$22 to \$41 per barrel. Energy companies comprise c.10% of the US high yield market.

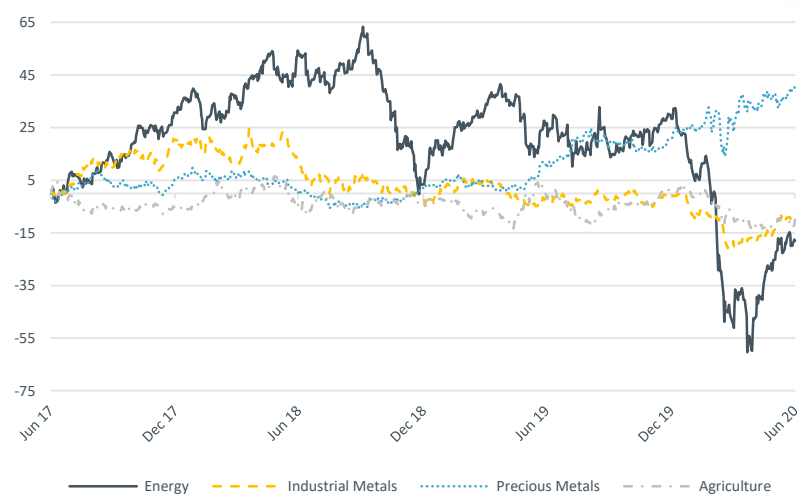
Global equity indices rose 18.4% in local currency terms. Sector composition helps to explain why the US (heavy in technology) leads the regional ranking tables for both this quarter and the year to date and why the UK (hardly any technology and heavy in financials) brings up the rear over both periods. After a poor first quarter, cyclical sectors have fared better in the second: basic materials, industrials and consumer services have outperformed the market; oil & gas has been broadly in line. But financials have fallen further behind. Technology is again at the head of the global performance rankings and, after a relatively resilient first quarter, defensive sectors, such as utilities, telecoms and healthcare, have lagged.

UK commercial property values continue to fall, although there is little or no transaction activity to guide valuations. As measured by the MSCI UK Monthly Property Index, capital values in May were almost 6% below end-2019 levels. Initial evidence suggests commercial tenants withheld rents at the June quarter collection day in England & Wales to a greater extent than in March.

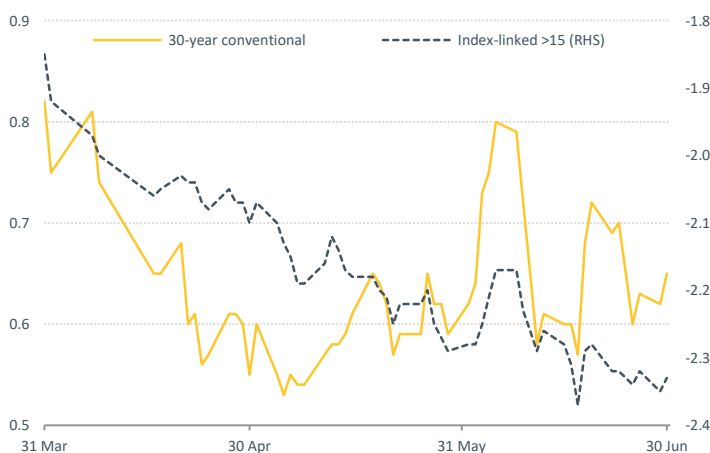
Annual CPI Inflation (% p.a.)



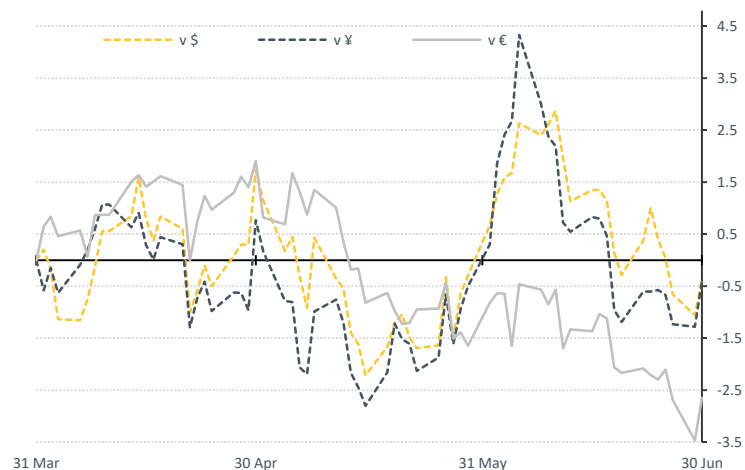
Commodity Prices (% change)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: Reuters

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Hymans Robertson LLP has relied upon third party sources and all copyright and other rights are reserved by such third party sources as follows: DataStream data: © DataStream; Fund Manager data: Fund Manager; Morgan Stanley Capital International data: © and database right Morgan Stanley Capital International and its licensors 2018. All rights reserved. MSCI has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use or reliance on any of the information which may be attributed to it; Hymans Robertson data: © Hymans Robertson. Whilst every effort has been made to ensure the accuracy of such estimates or data - including third party data - we cannot accept responsibility for any loss arising from their use. © Hymans Robertson LLP 2019.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

London Borough of Barnet Pension Fund

August 2020 Flash Report

Nick Jellema – Senior Investment Consultant
Yoel Deal – Associate Investment Consultant
Greg Illingworth – Investment Analyst
Hansinee Khoobloll – Investment Analyst



Hymans Robertson LLP is authorised and regulated by
the Financial Conduct Authority

Asset allocation

2

Manager	Valuation (£m)			Actual Proportion	Benchmark	Relative
	30-Jun-20	Cashflow	31-Aug-20			
LGIM FTSE RAFI AW 3000 Equity Index GBP Hdgd	202.6	-	213.1	17.1%	20.0%	-2.9%
LGIM UK Equity	12.2	-	12.0	1.0%	20.0%	2.0%
LGIM World ex UK Dev Equity Index	124.1	-	128.3	10.3%		
LGIM World ex UK Dev Equity Index GBP Hdgd	102.2	-	112.4	9.0%		
LGIM World Emerging Markets Equity Index	21.1	-	21.7	1.7%		
LCIV Emerging Markets Fund	40.9	+20.0	64.9	5.2%		
BNY Mellon Real Return Fund	48.9	-	51.3	4.1%	0.0%	4.1%
Schroder Life Diversified Growth Fund	126.9	-	132.6	10.6%	5.0%	5.6%
Adams Street 2019 Global Fund LP	4.6	-	4.3	0.3%	5.0%	-4.7%
Standard Life Long Lease Property Fund	29.0	-	29.2	2.3%	2.5%	-0.2%
CBRE GIP Global Alpha Fund	26.4	-	24.5	2.0%	2.5%	-0.5%
Total Growth	739.0	+20.0	794.5	63.6%	60.0%	3.7%
Alcentra Multi-Credit	33.1	-	34.5	2.8%	3.5%	-0.8%
Barings Multi-Credit	36.2	-	37.5	3.0%	3.5%	-0.5%
Insight Secured Finance Fund	41.8	-	42.5	3.4%	4.0%	-0.6%
M&G ABS Alternative Credit Fund	30.3	-0.3	30.4	2.4%	3.0%	-0.6%
Schroder All Maturities Corporate Bond Fund	136.7	-	137.6	11.0%	10.0%	1.0%
Alcentra Direct Lending	23.7	-	23.7	1.9%	3.0%	-1.1%
Partners Group MAC 2015	17.9	-1.6	16.3	1.3%	2.5%	-1.2%
Partners Group MAC 2017	31.3	-	31.4	2.5%	3.0%	-0.5%
Partners Group MAC V	22.7	+3.0	26.0	2.1%	2.5%	-0.4%
IFM Global Infrastructure	69.2	-	65.6	5.3%	5.0%	0.3%
Total Income	442.8	+1.1	445.4	35.7%	40.0%	-4.4%
Cash	30.5	-21.1	8.5	0.7%	0.0%	0.7%
Total Fund	1,212.1	-0.9	1,248.4	100.0%	100.0%	-

Adams Street Partners and CBRE valuations are at Q1 20, updated for fx rates at the respective dates. Alcentra Direct Lending valuations are at Q2 20. Alcentra MAC and Partners Group 31 August valuations are estimated using 31 July valuations.

Manager performance

The table shows a breakdown of the managers' net performance for the period 1 July 2020 to 31 August 2020, unless stated otherwise.

	Performance to date		
	Fund	B'mark	Relative
Growth			
LGIM FTSE RAFI All World 3000 Equity Index GBP Hdgd	5.2	5.6	-0.4
LGIM UK Equity	-1.3	-1.3	0.0
LGIM World ex UK Dev Equity Index	3.4	3.4	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	10.0	10.1	-0.1
LGIM World Emerging Markets Equity Index	2.8	2.8	0.0
LCIV Emerging Markets Fund	8.3	2.8	5.5
BNY Mellon Real Return Fund	5.1	0.7	4.4
Schroder Life Diversified Growth Fund	4.4	0.8	3.5
Standard Life Long Lease Property Fund	0.7	-2.3	3.1
CBRE GIP Global Alpha Fund	-6.9	1.6	-8.5
Income			
Alcentra Multi-Credit	4.2	0.7	3.5
Barings Multi-Credit	3.7	0.8	2.8
Insight Secured Finance Fund	1.7	0.7	1.0
M&G ABS Alternative Credit Fund	1.3	0.3	1.1
Schroder All Maturities Corporate Bond Fund	0.6	0.6	0.0
Partners Group MAC 2015	0.2	0.4	-0.2
Partners Group MAC 2017	0.3	0.4	-0.2
Partners Group MAC V	1.3	0.4	0.8
IFM Global Infrastructure	-5.1	1.6	-6.7
Total	3.1	-	-

Source: Fund performance provided by or estimated using information from Investment Managers. Benchmark performance provided by Investment Managers and DataStream. Full details of the manager benchmarks can be found in the quarterly monitoring report.

CBRE performance is currency only. Partners Group 31 August performance is at 31 July.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Hymans Robertson LLP has relied upon third party sources and all copyright and other rights are reserved by such third party sources as follows: DataStream data: © DataStream; Fund Manager data: Fund Manager; Morgan Stanley Capital International data: © and database right Morgan Stanley Capital International and its licensors 2018. All rights reserved. MSCI has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use or reliance on any of the information which may be attributed to it; Hymans Robertson data: © Hymans Robertson. Whilst every effort has been made to ensure the accuracy of such estimates or data - including third party data - we cannot accept responsibility for any loss arising from their use. © Hymans Robertson LLP 2019.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$


The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

	AGENDA ITEM 11 Pension Fund Committee 7 October 2020
Title	Pensions Administration Transition (PAT) Project update
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Project Board Update – Period 6
Officer Contact Details	Nigel Keogh, Strategic Pensions Consultant and Transition Project Director Nigel.Keogh@barnet.gov.uk 07505074979
Summary	
Further to the decision taken by the Council on 3 March 2020 to transfer the administration of the Barnet Pension Fund from Capita to the West Yorkshire Pension Fund (WYPF). This paper updates the Committee on progress against the transition plan.	
Recommendations	
The Committee is asked to note progress against the plan.	

1. WHY THIS REPORT IS NEEDED

1.1 Further to the decision by the Council on 3 March 2020 to transfer the administration of the Barnet Pension Fund from Capita to the West Yorkshire Pension fund (under a Section 101 delegation to Bradford City Council (CBMDC)). This report updates the Committee on progress with the transition.

1.2 The Pension Administration Transition project will transfer the administration of the LGPS for the London Borough of Barnet Pension Fund membership and pensioner payroll service from Capita to WYPF. The project follows the identification of WYPF as the preferred provider to take on the service from Capita, as reported to the Policy and Resources Committee in February, and communicated to the Committee on 13 February.

1.3 The project covers all strands of the pensions administration services currently provided by Capita. The majority of those service strands will be transferred to WYPF, with contributions collection, reconciliation and monitoring reverting back to the Council. These changes will take effect by 31 October 2020.

1.4 The project is overseen by an internal Project Board, chaired by the Director of Finance and composing senior personnel from the Council, Capita and WYPF, alongside the Project Director. The Project Board last met on 23 September., and the highlight report presented to the board is attached at Appendix 1. Previous months highlight reports have been shared with both the Committee and the Local Pensions Board.

1.5 As the highlight report notes, good progress continues to be made across all workstreams, with the second major milestone (the second test data cut and associated reports) being successfully achieved, with the process completed on 14 September 2020.

1.6 Project managers from the Council, WYPF and Capita will continue to meet weekly with the Project Director to ensure that the tasks identified across the five project workstreams are actioned in a timely manner, with a view to successful service transition on 1 November 2020, and to continually review the capacity of all parties to deliver the transition in light of the on-going pandemic. A representative from WYPF will be attending the committee meeting on 7 October to give a short presentation on the work of the WYPF and their readiness to take on the service in November.

1.7 LBB Internal Audit (IA) undertook a review of the transition project during July/August and officers have had initial discussions with IA regarding their findings. A formal draft report is expected by the end of September, ahead of presentation of the final report to Audit Committee on 19 October.

2. REASONS FOR RECOMMENDATIONS

2.1 Not applicable in the context of this report.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Officers will continue to monitor the progress of the transition and report back to the Committee.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Committee supports the delivery of the Council's strategic objectives and priorities, as expressed through the 2019-2024 Corporate Plan, to be an efficient and effective Council through managing our finances and contracts robustly, by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The costs of transition will be met by the Barnet Pension Fund. These are limited to a small contribution to costs incurred by WYPF – all other costs are being met from existing resources by the relevant parties. The work identified above is being done within existing resources. The Pension Fund has also agreed to meet any redundancy costs that might arise from the TUPE of staff from Capita to WYPF.

5.3 Social Value

- 5.3.1 Not applicable in the context of this report.

5.4 Legal and Constitutional References

- 5.4.1 The Local Government Pension Scheme Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet.

- 5.4.2 The Council's Constitution – Article 7 – includes within it the terms of reference of the Pension Fund Committee which cover wide-ranging responsibilities in relation to the Council's function as administering authority. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

5.5 Risk Management

- 5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Where relevant, consultation and engagement is discussed in the paper.

5.9 Insight

5.9.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 <https://barnet.moderngov.co.uk/documents/s59083/Pensions%20Administration%20Transition%20PAT%20Project%20update.pdf>

6.2 <https://barnet.moderngov.co.uk/documents/s59746/Pensions%20Administration%20Transition%20PAT%20Project%20update.pdf>

6.3 <https://barnet.moderngov.co.uk/documents/s59554/Pensions%20Administration%20Transition%20PAT%20Project%20update.pdf>

This page is intentionally left blank

Project Highlight Report: Pensions Administration Transition

Project Name:	Pensions Administration Transition (PAT)		
Project sponsor:	Anisa Darr	Reference number:	Period 6
Project Director:	Nigel Keogh	Report period:	September 2020
Report Summary: (Overall progress and what has changed since the last report)	<p>Good progress continues to be made across all work streams. The second test data cut was completed on 14 September. WYPF are on track with the payroll and record build. The formal TUPE consultation concluded on 31 July. To date, 4 members of the TUPE pool have secured other positions within Capita. Individual staff conversations will continue over the coming weeks with the remaining 4. First member communications were issued with ABS. WYPF and LBB continue to liaise regarding policies and procedures going forward. The employer monthly return pilot continues. The project team are now looking at how employer training will be delivered, with the first session planned for 24 September. Finance workstream actions are on track, with LBB/WYPF interfaces being developed. Project Managers continue to meet weekly to monitor potential COVID-19 impacts. Project Team continues to meet fortnightly to report progress, review risks and review workstream task lists for completeness. LBB Internal Audit (IA) have now completed their fieldwork – LBB officers have had initial discussions with IA regarding their findings.</p>		

Project Summary

Key indicators & Direction of Travel

Direction of travel guidance			Rag guidance		
→	Horizontal	Same RAG as previous highlight report	G	Green	No deviation, plan is on track
↗	Tilted upward	Better RAG than previous report	A	Amber	Deviation is likely – mitigation is being planned to remain on track
↘	Tilted downward	Worse RAG than previous report	R	Red	Deviation has occurred – decision is needed immediately

OVERALL	→	On track	
CATEGORY	Direction of Travel	Comment	RAG
TIME	→	1 November deadline remains viable.	
COST	→	No cost issues at present	
QUALITY	→	No quality concerns at present	
RESOURCES	→	Sufficient resource being made available	

Section 1: Schedule & Key Milestones

Key Milestones	Planned Date	Actual/Forecasted Date	Slippage	Comments	RAG
First data cut	21/05/2020	21/05/2020	None	Data extract completed and received by WYPF.	Com
Second data cut	23/07/2020	23/08/2020	None	Data extract completed and received by WYPF.	Com

Final data cut	16/10/2020	16/10/2020	None	Capita to cease payroll input for mid-month payroll on 7 October. Capita to cease payroll input for end-month payroll and member record updating 15 October 2020.	G
WYPF commence live service	01/11/2020	01/11/2020	None		G

Section 3: Summary of Top Risks

Note: grey boxes indicate risks that have been previously reported but remain in the highlight report for on-going monitoring due to their overall probability and impact. **Bold** indicates new items.

Description	Controls and mitigations in place	Risk Owner	Nature of Risk	Residual Risk (with controls in place)			Target Risk	
				Impact	Likelihood	Score	Impact	Likelihood
No new risks identified								


Section 4: Summary of Top Issues

Note: grey boxes indicate issues that have been previously reported but remain in the highlight report for on-going monitoring due to their overall impact. **Bold** indicates new items.

Decision, Action or Escalate	Description	Cause/Consequence	Action(s) in place	Assigned To	Nature	Impact	Score
None to report							

Section 5: Dependencies / Enablers

Description	Action Required	Assigned to	Target Date	Forecast Date	RAG
None in addition to those set out in the PID					

	AGENDA ITEM 12 Pension Fund Committee 7 October 2020
Title	Admitted Body and Bond Status Update
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Update on Admission Agreements and Academy opening positions Appendix B – Update on Cessations Appendix C – Update on Bond renewals
Officer Contact Details	Mark Fox, Pensions Manager 0208 359 3341
Summary	
<p>This report provides the Pension Fund Committee with a status update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations, that need arranging.</p> <p>The Council has been working with relevant employers, Capita, Hymans Robertson and HB Public Law to ensure outstanding admission and bond agreements are put in place.</p>	
Recommendations	
<p>That the Pension Fund Committee note the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations.</p>	

WHY THIS REPORT IS NEEDED

- 1.1 The Report is to update the Pensions Fund Committee on outstanding work in relation to admissions, cessations and bond renewals. Following the last Committee meeting in July 2020 and the completion of the 2019 actuarial valuation, progress has been made on issuing of outstanding admission agreements and bond renewals. Two cessation valuations have also been completed.

Admission Agreements

- 1.2 The employers listed below are seeking to participate in the Local Government Pension Scheme. An update on the progress of completing the Admission Agreements is attached in Appendix A.

	Employer	Contract Start Date
1	Caterlink (Holly Park School)	01/04/2019
2	Caterlink (Queen Elizabeth Girls School)	01/08/2016
3	Atlas Cleaning (Claremont)	19/01/2015
4	Atlas Cleaning (St Michaels)	01/09/2014
5	HCL (Cophall School)	01/09/2018
6	Olive Dining (Archer Academy)	01/09/2018
7	Ashlyn's (St Andrew's C of E School)	01/04/2017
8	Innovate (St James Catholic School)	01/08/2019
9	Olive Dining (St Joseph's Primary)	01/08/2019
10	MI Healthcare	14/12/2018
11	Barnet Education and Learning Services	01/09/2020

- 1.3 Ashlyn's (St Andrew's C of E School) ceased to be an admitted body on 31 July 2020. Officers are working with both the employer and the school to ensure that the correct contributions are paid before progressing with a cessation valuation
- 1.4 In addition, there are a two new Academies (listed below) where a calculation of the Initial Asset Allocation & Contribution Rate is required from the fund Actuary. This is to determine the initial liabilities and assets for an Academy that has converted from a local education authority school and the initial contribution rate for all academies. An update on progress is also included in Appendix A.

	Academy	Academy Start Date
1	Ark Pioneer Academy	24/07/2019
2	Childs Hill Primary	01/02/2020

Cessations

- 1.6 When the last active member leaves the Local Government Pension Scheme a cessation valuation must be calculated. The Fund actuary, Hymans, calculates both assets and liabilities in relation to the Employer to understand if there is a surplus or deficit at the end of the contract.
- 1.7 Progress has again been made in completing cessation valuations for the employers listed below. An update on progress is included in Appendix B

	Employer	Contract End Date	Deficit
1	Absolute Catering (St James' Catholic School)	31/07/2019	tbc
2	Housing 21	30/09/2015	tbc
3	Allied Healthcare	13/12/2018	tbc
4	Freemantle Trust (2)	30/05/2019	None
5	Rimon Jewish Primary School	31/03/2019	tbc
6	Ridgecrest	01/09/2018	tbc
7	Caterlink (Totteridge Academy)	23/02/2020	tbc
8	Mears Group	30/06/2020	tbc
9	Ashlyn's (St Andrew's C of E School)	31/07/2020	tbc
10	Cambridge Education (1)	31/08/2020	tbc
11	Cambridge Education (2)	31/08/2020	tbc

- 1.8 In March 2020, the Local Government Pension Scheme (Amendment) Regulations 2020 came into force, effective from 14 May 2018, and allows administering authorities to take account of an employer's exposure to risk when calculating an exit credit payment should the cessation valuation produce a surplus of assets against liabilities. The period for exit credit payments to be

made has also increased from three to six months from the cessation date, or such longer time as the administering authority and exiting employer agree.

- 1.9 Since the last Committee update, four employers have ceased to be active employers within the Fund – Mears Group, Cambridge Education (1) and (2) and Ashlyn’s (St Andrews C of E School)
- 1.10 Officers continue to work with Capita to get the data required by the Actuary sent to them, so the cessation valuations can be finalised.

Bonds and Bond Renewals

- 1.10 The table below sets out the Employers that are required where a renewed bond has been or is being calculated. Following the completion of the 2019 actuarial valuation, the Actuary has calculated the bond renewal amounts and bond indemnities required for new admitted bodies.

1	Atlas Cleaning (St Michaels)	£7,000
2	Greenwich Leisure Limited	£570,000
3	Optivo	£174,000
4	NSL Limited	£1,446,000
5	BEAT	£76,000
6	Capita Re	£2,759,000
7	Capita CSG	£3,162,000
8	OCS Group	£103,000
9	Atlas Cleaning (Claremont)	£64,000
10	Hestia (Domestic Violence Service)	£15,000
11	Innovate (St James)	tbc
12	Olive Dining (Archer Academy)	£25,000
13	Caterlink (The Compton School)	£74,000
14	HCL Catering - Copthall School	£73,000
15	Caterlink (Queen Elizabeth Girls)	tbc
16	Churchill Catering (Queenswell School)	£8,000
17	Caterlink (Holly Park School)	£8,000
18	ISS	£1,539,000
19	Hartwig 1 & 2	£164,000

- 1.11 Officers continue to work with Employers for the outstanding bonds and also chasing Capita for the data required by the Actuary to calculate the bond values.
- 1.12 Officers are working with Capita Re and Capita CSG on obtaining a bond by the renewal date at the end of October 2020.

2. REASONS FOR RECOMMENDATIONS

2.1 Not applicable.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 By monitoring admitted body organisations and ensuring all third parties comply fully with admission agreements and bond requirements, good management of the Pension Fund is maintained. This is because the cost of providing benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 There are no immediate financial implications from the report. However, it is important that admitted bodies have their contribution set by the Actuary to ensure that employers can commence membership in the Scheme with an equitable contributions rate and that cessation values are calculated to ensure that any deficits from ceasing employers are paid for..

5.3 Social Value

5.3.1 Membership of the Pension Fund ensures the long term financial health of the contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 Regulation 3 and Schedule 2 of the Local Government Pension Scheme Regulations 2013 provide that a Local Authority, as an 'Administering Authority' for the Fund, may admit an organisation into the Local Government Pension Scheme, subject to that organisation, or the contractual arrangement between that organisation and the Council, meeting the criteria set out in the Regulations.

- 5.4.2. With respect to an admission agreement, the Regulations further provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets because of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the transferee admission body shall obtain an indemnity or bond to meet the level of risk identified.

The Council's Constitution – Article 7 – includes within it the responsibilities of the Pension Fund Committee. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

5.5 Risk Management

- 5.5.1 The ongoing viability of the Pension Fund is dependent on acquiring assets that match the pension liabilities. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels to mitigate against any risk to the financial viability of the pension fund.
- 5.5.2 There is a possibility of financial losses to the Pension Fund where arrangements around admitted bodies, bond agreements and contributions are not sufficiently robust. The Council is improving internal controls to ensure the Fund is protected.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

- 5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not required.

5.9 **Insight**

5.9.1 Not applicable

6. **BACKGROUND PAPERS**

6.1 See Admissions, Bonds and Cessation paper and minutes of the Committee meeting on 27 July 2020.

This page is intentionally left blank

Update on Admission Agreements - October 2020

	Employer	Contract Start Date
1	Caterlink (Holly Park School)	01/04/19
2	Caterlink (Queen Elizabeth Girls School)	01/08/16
3	Atlas Cleaning (Claremont)	19/01/15
4	Atlas Cleaning (St Michaels)	01/09/14
5	HCL - Cophthall School	01/08/18
6	Olive Dining (Archer Academy)	01/09/18
7	Ashlyn's (St Andrew's C of E)	01/04/17
8	Innovate (St James Catholic School)	01/08/19
9	MI Homecare	14/12/18
10	Oliver Dining (St Josephs School)	01/08/19
11	Barnet Education & Learning Services (BELS)	01/09/20

Update on Academy opening positions - October 2020

	Academy	Academy Start Date
1	Ark Pioneer Academy	24/07/19
2	Childs Hill Primary	01/03/2019

Update
Final Admission Agreement issued to Employer and School for signing.
With Hymans to finalise calculations - waiting Capita for additional information
Final Admission Agreement issued to Employer and School for signing.
Final Admission Agreement issued to Employer and School for signing.
Draft Admission Agreement issued to Employer and School in May 2020. Still pending agreement form employer.
Draft Admission Agreement sent to Employer and School in 2019. Both Officers and HB Law have chased Olive Dining regularly. Officers requested the Agreement is signed by 31 August 2020 but still not signed. Contributions are being paid by the employer at the correct
Ceased to be an employer on 31 July 2020. Officers working with Employer and School to ensure that contributions are paid and then commence a cessation valuation.
Pending Capita to provide membership data to the Hymans. Officers continue to chase Capita.
Pending Capita to provide membership data to the Hymans. Officers continue to chase Capita.
Pending Capita to provide membership data to the Hymans. Officers continue to chase Capita.
Waiting for employer to provide data to Capita

Current Position
With Hymans to finalise calculations - waiting Capita for additional information
Pending Capita to provide membership data to the Hymans

Update on Cessation Valuations - October 2020

	Employer	Cessation Date	Deficit	Estimated surplus/deficit	Update
1	Absolute Catering (St James' Catholic School)	31/07/19	tbc	-£52,000	Pending Capita to provide data to the Hymans
2	Housing 21	30/09/15	tbc	£1,065,000	With Hymans to finalise calculations
3	Allied Healthcare	13/12/18	tbc	-£3,000	With Hymans to finalise calculations
4	Fremantle Trust	30/05/19	None	£1,172,000	Cessation Report received The Administering Authority are determining the exit credit (if any) to be paid to the Employer.
5	Rimon Jewish Primary	31/03/19	tbc	£29,000	Pending Capita to respond to data queries from the Hymans
6	Ridgecrest	01/09/18	tbc	£5,000	Pending Capita to respond to data queries from the Hymans
7	Caterlink (Totteridge Academy)	23/02/20	tbc	n/k	Pending Capita to provide data to the Hymans
8	Mears Group	30/06/20	tbc	-£119,000	Pending Capita to provide data to the Hymans
9	Ashlyn's (St Andrew's C of E School)	31/07/20	tbc	n/k	Pending Capita to provide data to the Hymans when final contributions paid
10	Cambridge Education (1)	31/08/20	tbc	-£1,818,000	Pending Capita to provide data to the Hymans
11	Cambridge Education (2)	31/08/20	tbc	n/k	Pending Capita to provide data to the Hymans

This page is intentionally left blank

Appendix C Update on Bond Renewals

Current Bond value	Current Bond Expiry date	New Bond required	Update
n/a	n/a	£7,000	Waiting for employer to confirm Guarantor details so Bond Agreement can be issued.
£162,000	30/11/20	£570,000	Current Bond is valid until 30 November. Updated bond required sent to employer in June 2020, but due to Covid-19 is unable to obtain bond at present. Officers reviewing alternatives options with employer.
		£174,000	Bond renewal amount sent to employer - July 2020. Employer unable to obtain a bond at present. Officers have identified that employer has a strong balance sheet, so have requested an employer guarantee for the pension liability in accordance with the Admission Agreement.
£1,037,000	31/10/19	£1,446,000	Officers speaking to Employer to get Guarantor in place.
£42,000	30/11/19	£76,000	Bond renewal amount sent to employer - June 2020. Officers checking if Council will act as guarantor for the pension liability.
£2,127,000	31/10/20	£2,759,000	Capita are aware of their bond renewal date and will action accordingly.
£2,106,000	31/10/20	£3,162,000	Capita are aware of their bond renewal date and will action accordingly.
£103,000	31/05/17	£103,000	Bond renewal amount sent to employer - July 2020. Officers speaking to Employer to get Guarantor in place.
n/a	n/a	£64,000	Waiting for employer to confirm Guarantor details so Bond Agreement can be issued.
£15,000	05/12/18	£15,000	Bond renewal amount sent to employer - June 2020. Officers speaking to Employer to get Guarantor in place.
n/a	n/a	tbc	Pending Capita to provide membership data to the Hymans
n/a	n/a	£25,000	Bond renewal amount sent to employer - July 2020. Officers are chasing employer for a response.
n/a	n/a	£74,000	Bond renewal amount sent to employer - July 2020. Officers are chasing employer for a response.
n/a	n/a	£73,000	Bond required set out in Admission Agreement issued May 2020. Still pending agreement form employer.

n/a	n/a	tbc	With Hymans to finalise calculations - waiting Capita for additional information
£6,000	17/12/19	£8,000	Bond renewal amount sent to employer - June 2020. Waiting for Company to provide Bond.
n/a	n/a	£8,000	Waiting for employer to confirm Guarantor details so Bond Agreement can be issued.
		£1,539,000	Bond renewal amount sent to employer - July 2020. Officers checking if Council will continue to act as guarantor for the pension liability.
		£164,000	Bond renewal amount sent to employer - July 2020. Officers checking if Council will continue to act as guarantor for the pension liability.

London Borough of Barnet

Pension Fund Committee Work Programme

January 2021 – December 2021

Title of Report	Overview of decision	Report Of (<i>officer</i>)	Issue Type (Non- key/Key/Urgent)
24 February 2021			
Quarterly performance report to December 2020	Review the performance of the fund and investment managers.	Chief Financial Officer	Non-Key
Investment Strategy	To agree the terms for a review of investment strategy.	Chief Financial Officer	Non-Key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Administration report	To update the Committee on the performance of the Pension Administrator.	Chief Financial Officer	Non-key
Annual report of the Local Pension Board	Consider any recommendations from the Local Pension Board, comment on their workplan and approve their budget.	Chief Financial Officer	Non-Key
Review of Pension Fund Risk Register	To review the management of pension fund risks.	Chief Financial Officer	Non-Key
Review of scheme expenses	To review the scheme costs incurred in the six months to 30 September 2020 and cashflows in the period.	Chief Financial Officer	Non-Key
Annual review of the performance of advisors	Provide feedback to advisers on their performance.	Chief Financial Officer	Non-Key
Appointment of Investment Advisor	To report on the outcome of the retender for investment advisory services	Chief Financial Officer	Non-Key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent)
May 2021			
Quarterly performance report to March 2021	Review the performance of the fund and investment managers.	Chief Financial Officer	Non-Key
Strategy Update	To review progress on investment strategy decisions.	Chief Financial Officer	Non-Key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Administration report	To update the Committee on the performance of the administration service.	Chief Financial Officer	Non-key
LCIV update	To note developments in pooling and to review Barnet's pooling plan.	Chief Financial Officer	Non-Key
External Audit plans	To comment on the work programme of the external auditors for the 2020-21 accounts.	Chief Financial Officer	Non-Key
July 2021			
Quarterly investment performance report to June 2021	Review the performance of the fund and investment managers.	Chief Financial Officer	Non-Key
Strategy Update & Responsible Investments.	To review progress on investment strategy decisions.	Chief Financial Officer	Non-Key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent)
Administration Report	To update the Committee on the performance of the administration service, annual benefit statements and communications to members and employers.	Chief Financial Officer	Non-key
Internal Audit Report	To note recent Internal Audit Reports on Pensions.	Chief Financial Officer	Non-key
Annual accounts for the year to 31 st March 2021.	To approve the Pension Funds Annual Accounts.	Chief Financial Officer	Non-Key
Annual report on scheme costs and cashflow projections	To report on scheme costs and expenses year to 31 March 2021 and projected cashflows in 2021-22.	Chief Financial Officer	Non-key
November 2021			
Quarterly performance report to 30 September 2021	Review the performance of the fund and investment managers.	Chief Financial Officer	Non-Key
Strategy and manager appointment updates	To review progress on agreed strategy changes and fund manager appointments.	Chief Financial Officer	Non-Key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Administration report	To update the Committee on the performance of the administration service, including issue of ABS.	Chief Financial Officer	Non-key
Review of scheme expenses	To review the scheme costs incurred in the six months to 30 September 2021.	Chief Financial Officer	Non-Key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent)
Annual review of the performance of advisors	Provide feedback to advisers on their performance.	Chief Financial Officer	Non-Key
Annual report of the Local Pension Board	Consider any recommendations from the Local Pension Board, comment on their workplan and approve their budget.	Chief Financial Officer	Non-Key

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

AGENDA ITEM 15

Document is Restricted

This page is intentionally left blank