

MEETING

PENSION FUND COMMITTEE

DATE AND TIME

WEDNESDAY 3RD FEBRUARY, 2016

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 3)

Chairman: Councillor Mark Shooter (Chairman),
Vice Chairman: Councillor John Marshall MA (Hons) (Vice-Chairman)

Councillors

John Marshall	Jim Tierney	Hugh Rayner
Andreas Ioannidis	Peter Zinkin	Arjun Mittra

Substitute Members

Pauline Coakley Webb	Dean Cohen	Stephen Sowerby
Anthony Finn	Adam Langleben	Ross Houston

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

Andrew Charlwood – Head of Governance

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

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes	1 - 4
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.	Pension Fund Performance for Quarter July to September 2015	5 - 26
8.	Update on Admitted Bodies Organisations	27 - 36
9.	Pension Fund External Audit Plan for the year ended 31 March 2016	37 - 46
10.	Update on Investment Strategy - To Follow	To Follow
11.	Pension Fund Committee - Work Programme	47 - 54
12.	Any item(s) that the Chairman decides is urgent	

FACILITIES FOR PEOPLE WITH DISABILITIES

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Decisions of the Pension Fund Committee

22 October 2015

Members Present:-

AGENDA ITEM 1

Councillor Mark Shooter (Chairman)
Councillor John Marshall (Vice-Chairman)

Councillor Andreas Ioannidis Councillor Arjun Mitra
Councillor Jim Tierney Councillor Hugh Rayner
Councillor Peter Zinkin

Also in attendance:
David Woodstock (Middlesex University)

1. MINUTES

The Committee **RESOLVED** that the minutes of the meeting held on 21 July 2015 be approved as a correct record subject to the following amendments:

Minute 3: Councillor John Marshall contributed to the Local Government Pension Scheme (LGPS) when councillors were allowed to join.

2. ABSENCE OF MEMBERS

There were none.

3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

Member	Agenda Item	Interest declared
Councillor Arjun Mitra	Item 9 – Barnet Council Pension Fund Performance for Quarter April to June 2015	Non Disclosable Pecuniary Interest by virtue of having shareholdings in a number of companies that the fund had investments in.
Councillor Mark Shooter		Non Disclosable Pecuniary Interest by virtue of having shareholdings in a number of companies that the fund had investments in.
Councillor Hugh Rayner		Non Disclosable Pecuniary Interest by virtue of having shareholdings in a number of companies that the fund had investments in.
Councillor Peter Zinkin		Non Disclosable Pecuniary Interest by virtue of having shareholdings in a number of companies that the fund had investments in.

Councillor John Marshall		Non Disclosable Pecuniary Interest by virtue of having shareholdings in a number of companies that the fund had investments in, and that he now draws a pension from the Local Government Pension Scheme, having reached 75.
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4. PUBLIC QUESTION AND COMMENTS (IF ANY)

There were none.

5. REPORT OF THE MONITORING OFFICER (IF ANY)

There was none.

6. MEMBERS' ITEMS (IF ANY)

There were none.

7. UPDATE ON ADMITTED BODY ORGANISATIONS ISSUES AND MONITORING REPORT

The Committee considered the report.

The Committee were unhappy that the spreadsheet was incomplete in that it did not include details of all the bondsmen and asked for the next report to include these details.

The Committee

RESOLVED – to note the information in Appendix 1.

8. LOCAL PENSION BOARD REPORT

The Committee considered the report.

The Committee

RESOLVED to note the recruitment, appointment and work the Local Pension Board.

9. BARNET COUNCIL PENSION FUND PERFORMANCE FOR QUARTER APRIL TO JUNE 2015

The Committee considered the report and an updated supplementary paper from WM Performance Services. The Committee also considered presentations from Phil Spencer and David Walker from Hyman Robertson LLP, and Lynn Coventry from WM Company Ltd.

The Committee

RESOLVED to instruct the Chief Operating Officer to address any issues.

10. UPDATE ON COLLECTIVE INVESTMENT VEHICLE

The Committee considered the report. The Chairman invited Members to indicate whether they had any questions regarding the information contained in the exempt appendices which would require the Committee to go into private session. The questions were answered in private session.

The Committee

RESOLVED to

1. note the progress update on starting up the Collective Investment Vehicle (CIV);
2. agree that the Chief Operating Officer sign the Shareholders' Agreement on behalf of the Council and the resolutions approving the Articles of Association of the CIV and the reclassification of shares in the CIV as set out in exempt Appendices 1 and 2;
3. delegate authority to the Chief Operating Officer in consultation with the Chairman of the Pensions Fund Committee to invest sums required for regulatory capital to the London CIV to meet the requirements for Financial Conduct Authority (FCA) authorisation. The anticipated level of investment £150,000;
4. agree that where circumstances arise and the Committee is not available for consultation, to delegate to the Chief Operating Officer, in consultation with the Chairman of the Pensions Fund Committee, the decision to agree to the transition of Pension Fund assets to the London CIV where the Fund has a pre-existing relationship with the investment manager and where the transfer of such assets is financially advantageous to the Pension Fund;
5. delegate to the Chief Operating Officer in consultation with the Chairman of the Pension Fund Committee the authority to seal deeds of adherence.

11. REVIEW OF PENSION FUND ASSET ALLOCATION

Phil Spencer and David Walker from Hymans Robertson LLP presented the review of the pension fund asset allocation.

The Committee considered the report. The Chairman invited Members to indicate whether they had any questions regarding the information contained in the exempt appendices which would require the Committee to go into private session. The questions were answered in private session.

The Committee

RESOLVED:

1. To note the findings set out in the investment strategy report and instruct the Chief Operating Officer and Chief Finance Officer to address any issues.
2. To note the recommendation of the pension fund investment strategy sub group, following its due diligence meeting with Schroder Investment Management, to endorse the transfer of initially 10% of the fund out of Corporate Bonds currently managed by Newton Investment Management with the sale proceeds to be invested in the Schroder Strategic Bond Fund.

3. To adopt an investment strategy based on 36% overseas equity, 21.5% diversified growth, 12% corporate bonds, 0.5% cash; 20% 'multi asset credit; and 10% illiquid alternatives.
4. That the Head of Treasury, in consultation with Hymans Robertson LLP, will produce a work plan for the next meeting of the Committee setting out the steps to be taken to achieve the strategy.
5. To increase the move of the fund out of Corporate Bonds from 15% to 20%.
6. That 10% of the proceeds of the Corporate Bonds be invested in the Schroder Strategic Bond Fund with the Investment Advisors to recommend additional fund managers for the Committee to select to invest the balance of 10%.

12. COMMITTEE FORWARD WORK PROGRAMME

The Committee note the Forward Work Programme. The Committee also agreed that the date of the next meeting would be **3 February 2016**.

13. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT

There were none.

14. MOTION TO EXCLUDE THE PRESS AND PUBLIC

The Committee

RESOLVED – that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act (as amended).

15. EXEMPT - UPDATE ON COLLECTIVE INVESTMENT VEHICLE APPENDICES

The Committee


RESOLVED that the information contained in the exempt report be noted.

16. EXEMPT - REVIEW OF PENSION FUND ASSET ALLOCATION APPENDIX

The Committee

RESOLVED that the information contained in the exempt report be noted.

The meeting finished at 9.18 pm

	<p>Pension Fund Committee</p> <p>3 February 2016</p>
<p>Title</p>	<p>Pension Fund Performance for Quarter July to September 2015</p>
<p>Report of</p>	<p>Chief Operating Officer</p>
<p>Wards</p>	<p>n/a</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>Appendix A – Pension Fund Market Value of Investments as at 30 September 2015 Appendix B – Hymans Robinson Performance Report to 30 September 2015 Appendix C – WM Local Authority Universe Comparison to 30 September 2015 - To Follow</p>
<p>Officer Contact Details</p>	<p>Iain Millar, Head of Treasury Services 0208 359 7126</p>

Summary

This report summarises Pension Fund investment manager performance for the July to September quarter 2015 based on the performance monitoring report provided by Hymans Robertson.

Recommendations

1. That having considered the performance of the Pension Fund for the quarter to 30 September 2015, the Pensions Fund Committee instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.

1. WHY THIS REPORT IS NEEDED

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

2. REASONS FOR RECOMMENDATIONS

- 2.1 The terms of reference of the Pension Fund Committee require review and challenge of 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 Operating Officer and Chief Finance 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 in order to achieve the required funding level. Effective monitoring of the Pension Fund will provide support towards the Council's corporate priorities.

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

- 5.2.1 As administering authority for the London Borough of Barnet Pension Fund, the Council is required to invest any funds not required for the payment and administration of pension fund contributions and benefits.
- 5.2.2 The Pension Fund appointed external fund managers to maximise pension fund assets in accordance with the fund investment strategy in 2010. The Pension Fund is a long term investor and volatility of investment return is expected, though in the longer term, the appointed fund managers are expected to deliver positive returns in accordance with the fund benchmarks. The Scheme benchmark is a liability driven benchmark and is dependent on the movement in gilt yield. The Growth portfolio targets of the respective Diversified Growth Funds are Newton; LIBOR +4%, and Schroder; RPI+5%.

5.2.3 On October 22 2015, (Item 11), Pension Fund Committee reviewed and revised the pension fund asset allocation and agreed to adopt an investment strategy based on 36% overseas equity, 21.5% diversified growth, 12% corporate bonds, 0.5% cash; 20% 'multi asset credit; and 10% illiquid alternatives. Pension Fund Committee agreed to increase the move of the fund out of Corporate Bonds from 15% to 20% and that 10% of the proceeds of the Corporate Bonds be invested in the Schroder Strategic Bond Fund with the Investment Advisors to recommend additional fund managers for the Committee to select to invest the balance of 10%.

5.2.4 The total value of the pension fund's investments including internally managed cash was £872.014 million as at 30 September 2015, down from £888.469 million as at 30 June 2015. The total market value of externally managed investments fell by £16.4 million over the quarter. The graph in Appendix A shows how the market value of the fund has grown since 2008. Since June 2015 markets have been increasingly volatile. The total value of the fund as at 31 December 2015 was £882.556 million.

5.2.5 Following the asset allocation rebalancing decision on 22 October 2015, £120 million has been transferred to Legal and General (£60 million from Newton Investment Management Real Return and £60 million from Schroders Diversified Growth Fund). In addition £90 million has been transferred from Newton Corporate Bonds to the Schroder Strategic Bond Fund

5.2.4 **Performance Summary:** Over the quarter at a total scheme level the Fund's externally managed investments produced an absolute negative returns of -1.6%. In relative terms the scheme underperformed against benchmark by -2.1%. The growth mandated delivered negative absolute returns as equity markets fell but the three corporate bond mandates delivered positive absolute returns. The attached performance report is the second monitoring report from Hymans Robertson.

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 This report is based on the provisions of Regulation 10 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 made under the powers conferred by section 7 and Schedule 3 of the Superannuation Act 1972.

5.4.2 The Council's Constitution Responsibility for Functions outlines the terms of reference of the Pension Fund Committee and therefore it is confirmed that this Committee is able to review and challenge at least quarterly the Pension

Fund investment managers' performance against the Statement of Investment Principles in general and investment performance benchmarks and targets in particular.

5.5 Risk Management

5.5.1 A key risk is that of poor investment performance. The performance of Fund managers is monitored by the committee every quarter with reference to reports from Hymans Robertson, the Pension Fund investment adviser, and the WM Company Ltd, a company that measures the performance of pension funds. If fund manager performance is considered inadequate, the fund manager can be replaced.

5.5.2 Risks around safeguarding of pension fund assets are highlighted in the current economic climate following the sovereign debt crises in the Euro zone. Fund managers need to have due regard to longer term investment success, in the context of significant market volatility.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equalities 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.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with this public sector equality duty. Good governance arrangements and monitoring of the pension fund managers will benefit everyone who contributes to the fund.

5.7 Consultation and Engagement

5.7.1 Not applicable

5.8 Insight

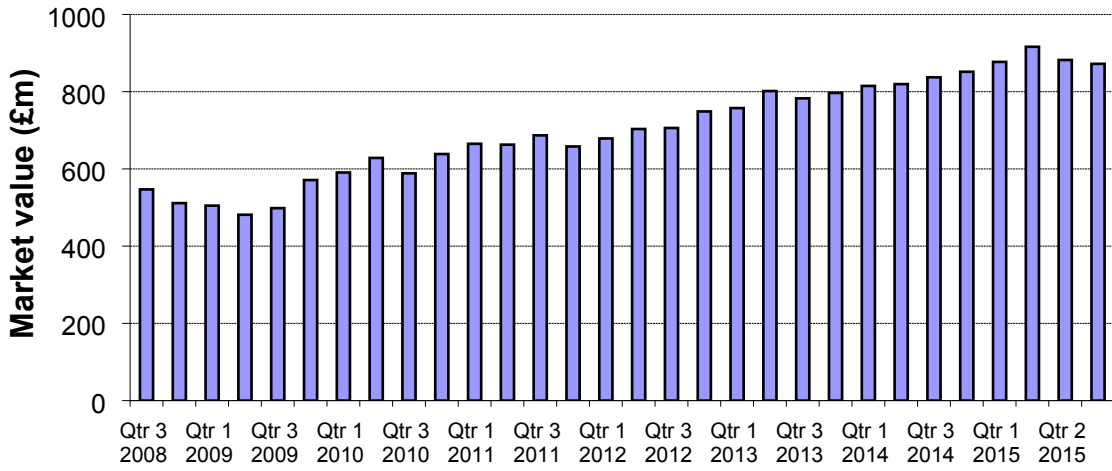
5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 None

Appendix A – Pension Fund Market Value of Investments as at 30 September 2015.

Market value of Pension Fund



Market value of Pension Fund

Market value (£m)

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London Borough of Barnet Pension Fund

Review of Investment Managers' Performance for the Third Quarter of 2015



Prepared By:

Andrew Elliott - Senior Investment Consultant
Phil Spencer - Associate Investment Consultant

For and on behalf of Hymans Robertson LLP
January 2016

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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.

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Executive Summary

Market Summary

Despite continued positive economic news regarding the US and UK economies, and a (temporary) resolution to the Greek debt crisis, the third quarter of the year was highly volatile for capital markets as investors focussed almost exclusively on China amidst fears of a more severe than expected slowdown in the growth rate of the world's second-largest economy. The net result was a sharp sell-off in global equity markets and a shift into perceived 'safe haven' assets.

Implied volatility jumped significantly over the quarter, reaching almost 25% in September. As a result, implied volatility in equity markets is as high as it has been for almost three years.

After a mild recovery over the second quarter, commodity prices once again came under pressure. With falling commodity prices, global inflationary pressures remain subdued. Lower fuel and energy prices saw UK CPI inflation being pulled back into negative territory in September with a reading of -0.1% for the year.

After rising over the previous quarter, gilt yields reversed course in the third quarter of 2015 and started trending lower as equity markets sold off and investors became more concerned about the extent of China's growth slowdown. Short term interest rates remained unchanged in the UK, US, Eurozone and Japan.

Valuation and Performance Summary

Fund assets totalled c. £869m at the end of Q3 2015, falling c. £13m from the start of the period.

The Fund's assets returned -1.6% (net of fees) over the quarter, lagging both the return of the Fund's combined benchmark and the return on index-linked gilts by 2.1% and 3.5%, respectively.

The Fund's funding level, as estimated by Hymans Robertson's 3DAnalytics funding tool, fell over the quarter from 69.6% to 64.1%, measured on a gilts + 1.6% p.a. basis.

The Fund's three growth mandates (LGIM equities, Newton Real Return and Schroder DGF) all delivered negative absolute returns over the period as equity markets fell. The Fund's three corporate bond mandates all posted positive absolute returns with both LGIM and Newton outperforming their respective benchmarks.

Since the implementation of the Fund's current investment strategy in December 2010, the Fund has returned 4.8% p.a., underperforming the combined benchmark by 1.8% p.a. This is largely due to the Fund's absolute return mandates and their underperformance versus their ambitious outperformance targets which can be difficult to achieve during volatile market conditions.

Manager Ratings Summary

Manager	Fund Name	Rating				
Legal & General	World ex UK Equity Index Fund	Red	Orange	Yellow	Green	Dark Green
Newton	Real Return Fund	Red	Orange	Yellow	Green	Dark Green
Schroder	Diversified Growth Fund	Red	Orange	Yellow	Green	Dark Green
Schroder	All Maturities Corporate Bond Fund	Red	Orange	Yellow	Green	Dark Green
Newton	Corporate Bond Fund	Red	Orange	Yellow	Green	Dark Green
Legal & General	Active Corporate Bond All Stocks Fund	Red	Orange	Yellow	Green	Dark Green

Actions and Recommendations

As at 30 September 2015 the Fund was 0.6% underweight to global equities and 0.7% underweight absolute return funds versus its strategic target. A corresponding overweight of 1.3% to corporate bonds reflects the equity market falls over the period and the positive performance achieved by the Fund's bond assets. We do not believe this is a reason to rebalance at the current time.

Once the Committee has completed moving the Fund to the new investment strategy agreed late last year, we would suggest a rebalancing process is formally agreed with appropriate rebalancing ranges for each of the Fund's asset classes.

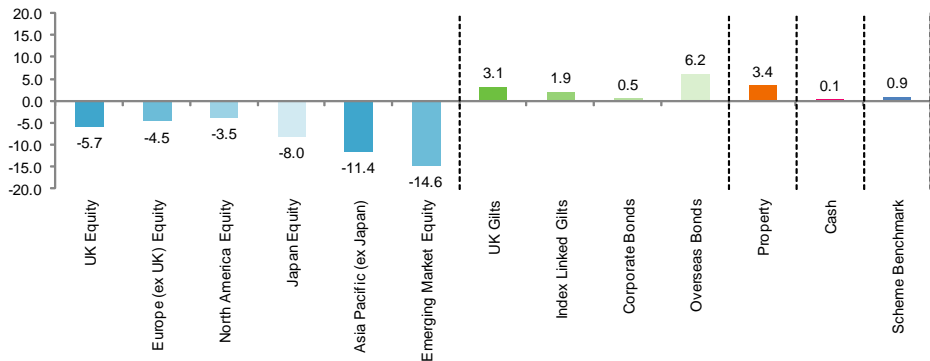
We now have a formal rating for Newton's fixed income capabilities and have rated them as '4 - Retain'. All of the Fund's remaining investment managers are currently rated either a '4 - Retain' or '5 - Preferred strategy'. There were no significant changes over the quarter to warrant any changes in rating.



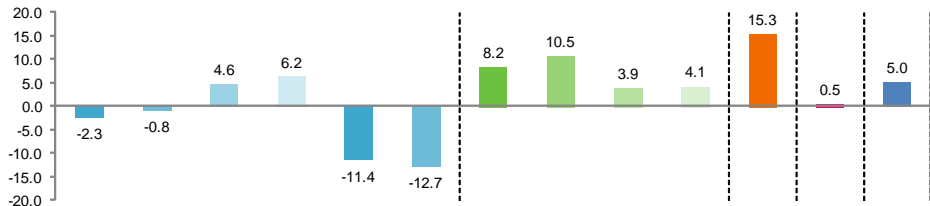
Historic Returns for World Markets to 30/09/2015

Historic Returns ^{[1] [i]}

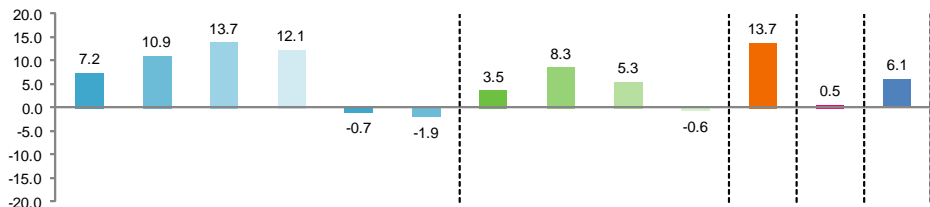
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comment

Global equity markets recorded their worst three month returns in four years. In the UK the FTSE All Share index fell by 5.7%; in the US, the S&P 500 index fell by 2.9%. August was a particularly difficult month, with global equities falling by more than 5% and government bonds offering little in the way of a safe haven.

The economic slowdown in China dominated the headlines during the quarter, with the country's economy growing at its slowest rate in over six years. In August, the benchmark interest rate was cut for the fifth time since November 2014.

An increase in short-term interest rates in the US had been widely anticipated at the start of the quarter, but developments in China shifted expectations. Many commentators are now anticipating that the first US rate rise will be pushed into 2016. However, the US economy continued to be robust, with falling unemployment and upward revisions to growth forecasts. The chairman of the Federal Reserve suggested, at the end of the quarter, that a US rate rise was still likely before the end of 2015.

Key events during the quarter included;

Global Economy

- Short-term interest rates were unchanged in the UK, US, Eurozone and Japan;
- Headline inflation in the US, Eurozone and UK remained close to zero;
- The VIX volatility index spiked as equity markets collapsed, peaking at more than double its historic average since 1990;
- Oil prices slid back to their lows of early 2015, dipping under \$50 per barrel;
- Commodity prices suffered their biggest quarterly decline since 2008.

Equities

- The strongest sectors relative to the FTSE All World Index were Utilities (+7.6%) and Consumer Services (+5.1%); the weakest were Basic Materials (-11.4%) and Oil & Gas (-9.9%);
- Emerging market equities struggled; local currency weakness compounded the falls for UK investors.

Bonds and currencies

- Sterling fell against the Dollar, Euro and Yen, largely reversing gains made during the preceding quarter;
- UK gilt yields fell (prices rose), with nominal yields falling further than real yields.

[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds; Property – IPD UK Monthly Property Index; Cash – UK Interbank 7 Day.

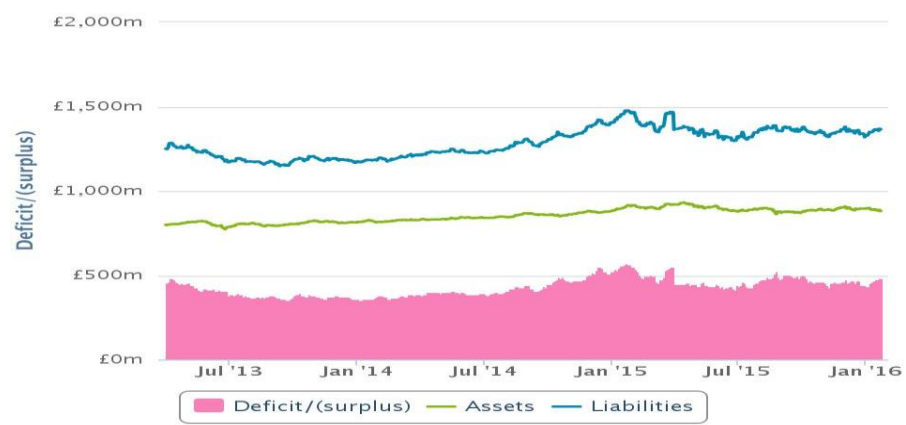


Funding update

Progression of funding level (on different bases)



Funding position (gilts + 1.6% p.a. basis)



Comments

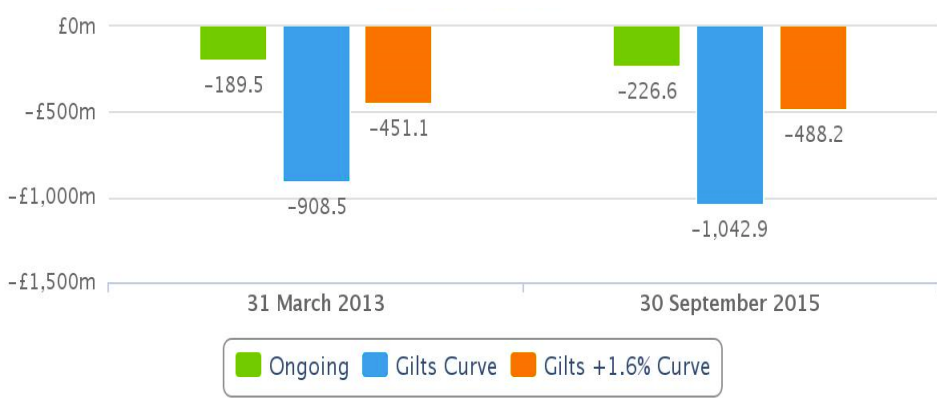
We have estimated the progression of the Fund's funding position (on different bases) since the last actuarial valuation at 31 March 2013. The analysis is based on the 2013 actuarial valuation report and subsequent funding updates provided by the Fund Actuary. The liabilities have been "rolled forward" allowing for changes in gilt yields over time.

We estimate that since 31 March 2013 the Fund's funding level (on a gilts + 1.6% p.a. basis) has remained broadly unchanged at around 64% as at 30 September 2015.

As at 30 September 2015, we estimate that the Fund's deficit on a gilts + 1.6% p.a. basis is around £488m, an increase of c. £37m since 31 March 2013.

Please note that the Fund's funding position estimated here will differ from that calculated by the Fund Actuary, Barnett Waddingham. This is due primarily to the roll forward of the Fund's liabilities and also due to differences in our assumptions used to calculate the funding level.

Surplus / deficit (on different bases)



Ongoing basis is a discount rate of gilts + 3% p.a. designed to represent a broad approximation of the Fund's current Technical Provisions basis.

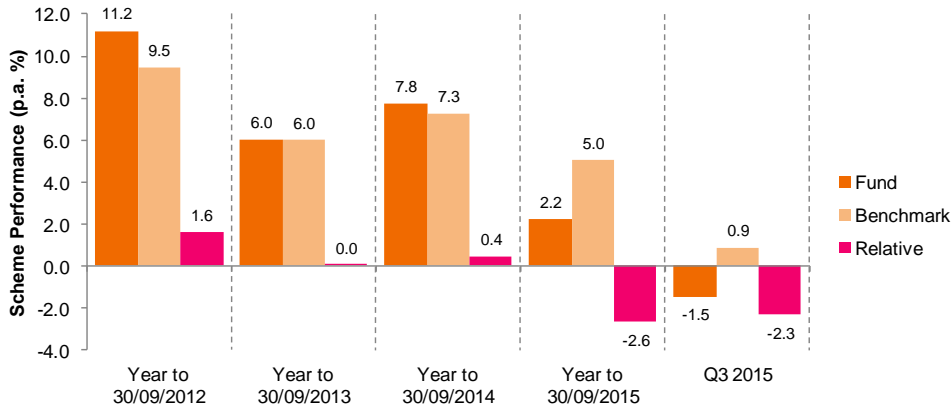
Source: [i] DataStream, Fund Manager, Hymans Robertson, [ii] DataStream, Fund Manager, Hymans Robertson

Fund Summary

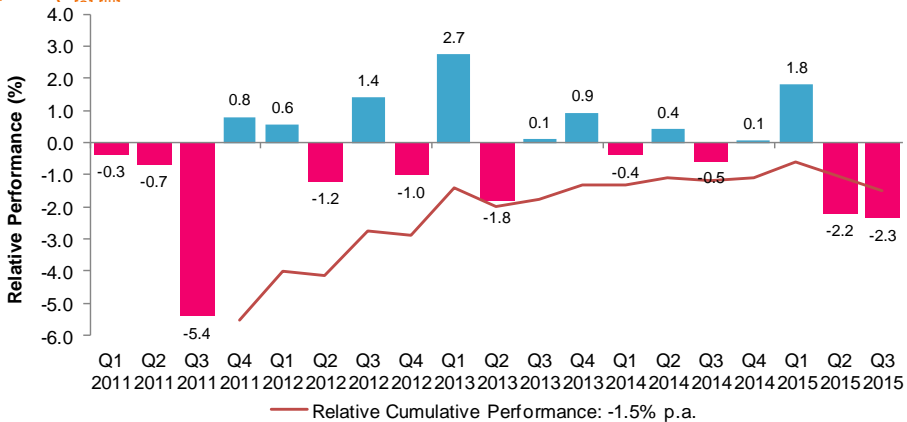
Valuation Summary ^{[1] [i]}

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q2 2015	Q3 2015			
Global Equity	49.2	46.6	5.4	6.0	-0.6
Absolute Return Funds	546.2	532.9	61.3	62.0	-0.7
Corporate Bonds	286.7	289.6	33.3	32.0	1.3
Total Client	882.1	869.1	100.0	100.0	

Performance Summary ^{[2] [iii]}



Relative Quarterly and Relative Cumulative Performance (Gross of Fees)



[1] Excludes operating cash held in Fund bank account., [2] Gross of fees, [3] Gross of fees

Source: [i] Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson, [iii] DataStream, Fund Manager, Hymans Robertson



Manager Summary

Manager Summary

Manager	Investment Style	Benchmark Description	Annual Fee (bps)	Rating *
LGIM World ex UK Equity Index Fund	Passive	FTSE World ex UK Net Tax (UKPN)	15	
Newton Real Return Fund	Active	1 month £ LIBOR + 4% p.a.	59	
Schroder Life Diversified Growth Fund	Active	RPI + 5% p.a.	60	
LGIM Active Corporate Bond All Stocks Fund	Active	Markit iBoxx GBP Non-Gilts (All Stocks)	20	
Newton Corporate Bond Fund	Active	Merrill Lynch Sterling (Over 10 years) Investment Grade Index	10	
Schroder All Maturities Corporate Bond Fund	Active	Merrill Lynch Sterling Non-Gilts All Stocks Index	18	

* For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain

Manager Valuations ^[1]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q2 2015	Q3 2015			
LGIM World ex UK Equity Index Fund	49.2	46.6	5.4	6.0	-0.6
Newton Real Return Fund	267.5	265.3	30.5	31.0	-0.5
Schroder Life Diversified Growth Fund	278.7	267.6	30.8	31.0	-0.2
LGIM Active Corporate Bond All Stocks Fund	19.1	19.3	2.2	2.0	0.2
Newton Corporate Bond Fund	140.2	142.1	16.4	15.0	1.4
Schroder All Maturities Corporate Bond Fund	127.3	128.1	14.7	15.0	-0.3
Total	882.1	869.1	100.0	100.0	0.0

[1] Excludes operating cash held in Fund bank account


Source: [i] Fund Manager, Hymans Robertson

Performance Summary (Net of Fees)

Performance Summary ^[1]

		LGIM World ex UK Equity Index Fund	Newton Real Return Fund	Schroder Life Diversified Growth Fund	LGIM Active Corporate Bond All Stocks Fund	Newton Corporate Bond Fund	Schroder All Maturities Corporate Bond Fund	Total Fund
3 Months (%)	Absolute	-5.3	-0.9	-4.1	1.3	1.3	0.6	-1.6
	Benchmark	-5.3	1.1	1.5	0.9	1.5	1.0	0.9
	Relative				0.3			
		0.0	-2.0	-5.5		-0.1	-0.4	-2.4
12 Months (%)	Absolute	1.2	0.7	0.0	4.9	5.7	3.6	1.8
	Benchmark	1.3	4.6	5.8	4.5	5.5	4.6	5.0
	Relative				0.4	0.2		
		-0.1	-3.7	-5.5			-0.9	-3.1
3 Years (% p.a.)	Absolute	10.6	2.4	5.7	5.2	5.9	5.4	4.9
	Benchmark	10.7	4.5	7.2	5.0	5.9	5.1	6.1
	Relative				0.3		0.4	
		-0.1	-2.1	-1.4		0.0		-1.1
Since Inception (% p.a.)	Absolute	7.1	2.8	3.5	7.3	8.7	6.7	4.8
	Benchmark	7.2	4.6	7.6	6.8	8.8	7.0	6.8
	Relative				0.5			
		-0.1	-1.7	-3.8		-0.1	-0.3	-1.9

[1] Since inception for all mandates shown is from 31 December 2010 when the current investment strategy for the Fund was implemented.

Source:  DataStream, Fund Manager

LGIM World ex UK Equity Index Fund

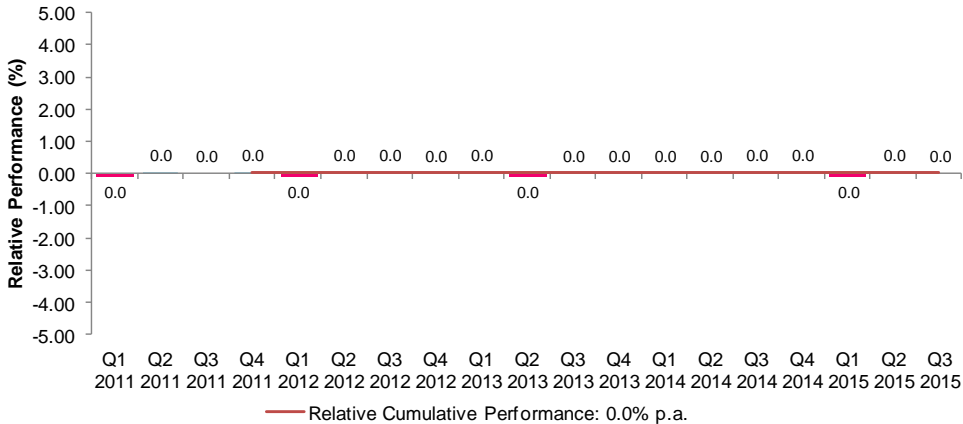
HR View Comment & Rating



We rate Legal & General Investment Management's ('LGIM') index-tracking equity capability at '5 - Preferred strategy'.

There were no further business changes at LGIM since our last report.

Relative Quarterly and Relative Cumulative Performance ^[i]



Fund Commentary

The mandate has broadly matched its benchmark over all periods, as we would expect from a passive manager.

Performance Summary (Gross of fees) ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-5.3	1.3	10.7	7.3
Benchmark	-5.3	1.3	10.7	7.2
Relative	0.0	0.1	0.0	0.0

* Inception date 31 Dec 2010.

Newton Real Return Fund

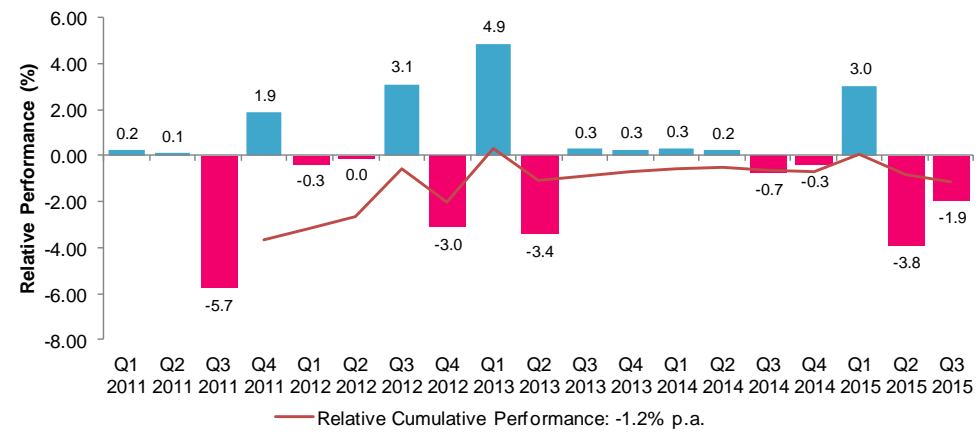
HR View Comment & Rating



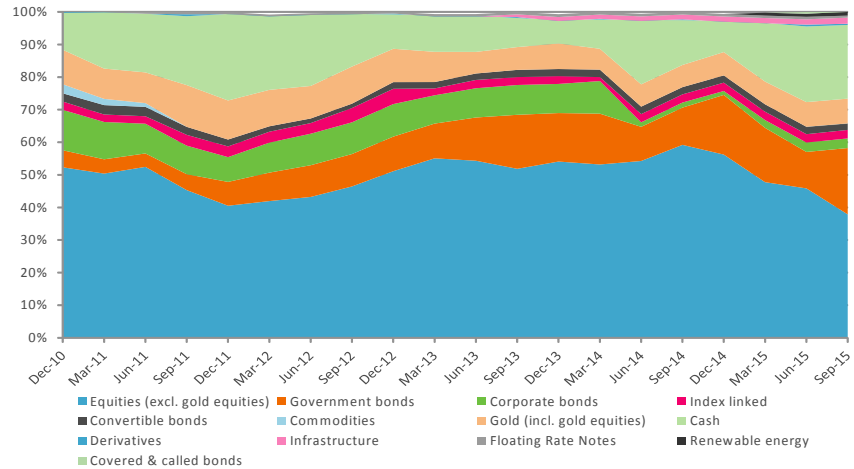
We rate Newton's Real Return Fund at '5 - Preferred strategy'.

The Real Return Fund is an unconstrained multi-asset strategy that seeks to generate a return through both dynamic asset allocation and security specific selection. We like the unconstrained nature of the Newton approach and the real focus on downside protection. It is this focus on risk as the loss of capital rather than a measure of portfolio volatility that distinguishes 'absolute return' managers such as Newton. While the approach draws on a range of inputs from various investment staff in the wider Newton team, we believe that the success or otherwise of the strategy is heavily reliant on the head of the team, Iain Stewart, and there is therefore a high level of key man risk. As at the end of the third quarter the Real Return strategy had assets under management of £12.6bn. Capacity is a consideration due to the portfolio investing in single stock names, however at this level Newton do not believe this is a concern. There were no significant changes to report over the third quarter to 30 September 2015.

Relative Quarterly and Relative Cumulative Performance (iii)



Change in asset allocation over time (i)



Fund Commentary

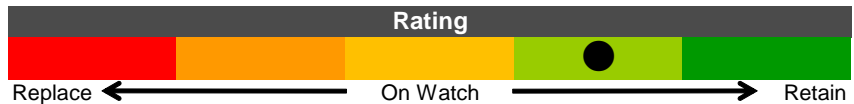
The Newton Real Return Fund was down 0.8% over the quarter resulting in an absolute return of 1.3% over the past 12 months. Since implementation of the Fund's current investment strategy in December 2010, the fund is lagging its performance objective of LIBOR + 4% p.a. by 1.2% p.a. (gross of fees).

Over the quarter market volatility rose sharply and risk assets came under pressure around global growth concerns, commodity price weakness and uncertainty over a possible US interest rate rise. As equity prices fell by c. 6%, the largest positive contributor to performance came from the fund's derivative protection. This was carried out through futures and option contracts, which were held as protection against S&P 500 and FTSE 100 indices. Although the return-seeking core, which consists mainly of equities, lost value over the quarter, the high quality equities held by the fund (such as Microsoft, Accenture and British American Tobacco) performed better than global equities generally. In September, the manager reduced the fund's gross equity exposure to profit from the strong market rally following the lows in August. That said, the market fall in August did create some attractive valuation entry points resulting in the manager purchasing shares in Procter & Gamble and Dollar General.

The strategy's overall equity exposure is now set at a low level not seen since 2008 (c. 38% as at 30 September 2015 although net of direct index protection, this is closer to c. 25%). Given the manager's reluctance to increase exposure to risk assets, the fund's allocation to US Treasuries was increased at the end of the quarter. The manager remains nervous about the short to medium term outlook as there may be scope for further downside in the equity market due to market overvaluation becoming more apparent.

Schroder Diversified Growth Fund

HR View Comment & Rating

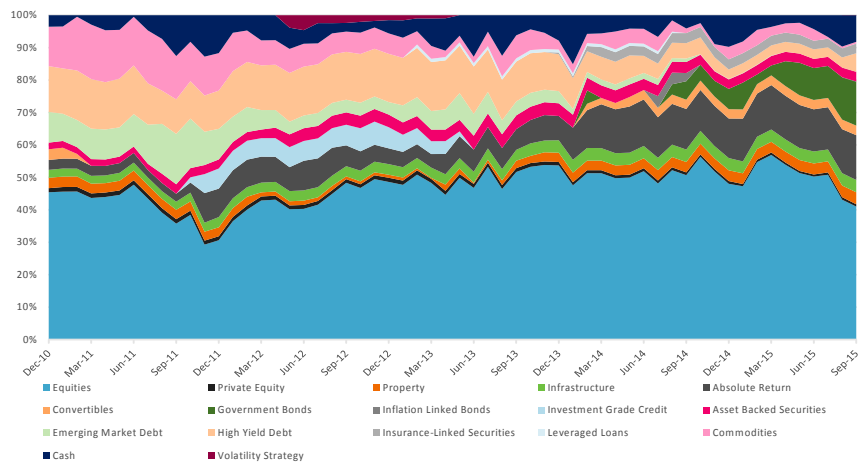


We rate Schroder's Diversified Growth Fund (DGF) at '4 - Retain'.

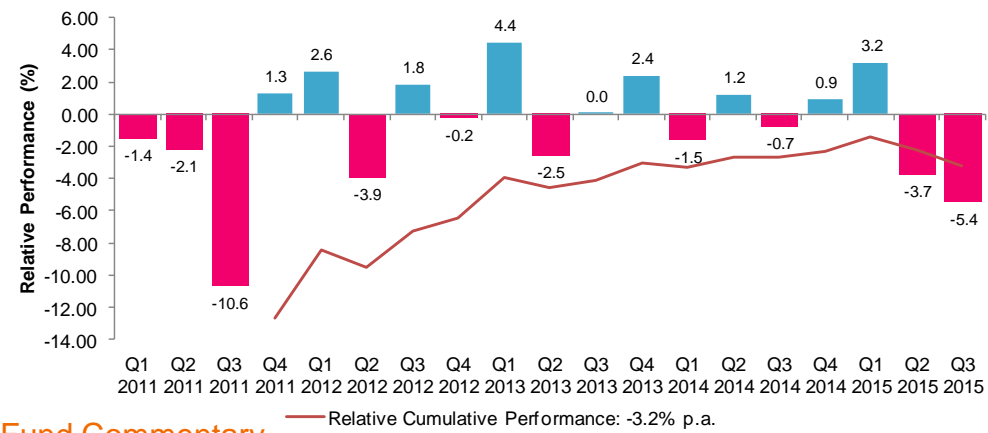
As a large, long-established multi-asset manager, Schroder is well placed to manage a mandate of this type. Its DGF was one of the first of its kind to gain traction in the institutional market, albeit largely amongst small pension funds. The product has a dual objective – on-going access to growth asset classes and the tactical management of those exposures. Schroder has tended to restrict its dynamic asset allocation within narrower bands than many. This fund will typically be highly dependent on the performance of equity markets to generate returns. It therefore offers less diversification benefits than some of the other multi-asset funds available, including Newton.

There were no significant changes over the quarter to the end of September 2015.

Change in asset allocation over time [i]



Relative Quarterly and Relative Cumulative Performance [ii]



Fund Commentary

Volatility increased further within both equity and bond markets over the third quarter of 2015, with Schroder's DGF delivering an absolute return of -4.0% for the period. Whilst this was ahead of equity markets, it was significantly behind the fund's performance objective of RPI + 5% p.a. Assessing the fund's longer term performance since inception versus this performance target, the fund is currently lagging by c. 3.5% p.a. With global equity markets down c. 6% over the quarter, it was the fund's equity holdings that contributed to the majority of the negative absolute return posted. As investors subsequently rotated out of riskier assets and into more traditional safe haven assets, the fund's exposure to UK government bonds, property and insurance-linked securities helped cushion the losses slightly.

Heading into the quarter, the manager was cautious of the various risks posed to global markets particularly due to fears over a Chinese hard landing. As a result, the fund's equity exposure was significantly reduced during the month of August by more than 8%, predominantly via a reduction in European and UK equities. The manager expected the former to be one of the biggest losers from Chinese action whilst it also expected the UK stock market to suffer due to its high concentration of stocks within the natural resources sector. These actions were implemented prior to the large sell-off in August (known as Black Monday), and subsequently went some way to soften the losses that were incurred.

For sometime the manager has been holding a defensive stance through its currency strategy in order to offset some of the equity risk within the portfolio. Moving into the final quarter of 2015, the manager is expecting to increase the level of risk being taken, implemented predominantly through exposure to emerging currencies which have devalued significantly over the last year and now offer attractive entry points. Whilst equities are expected to remain volatile, the manager still believes developed equities are a decent bet to deliver positive real returns given the domestic demand and supportive central bank policies within most developed countries.

21
Source: [i] Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson

Newton Corporate Bond Fund

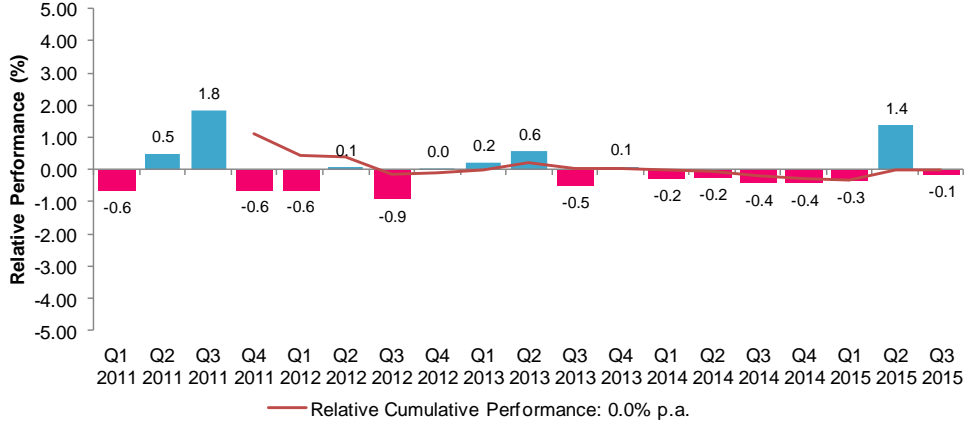
HR View Comment & Rating



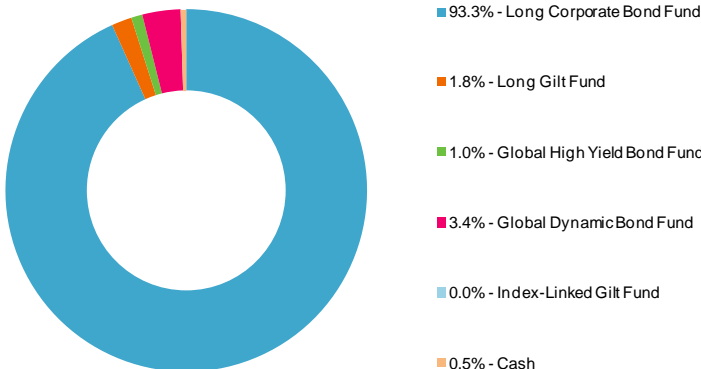
Over the quarter our research team met with Newton's fixed income team in order to produce a formal rating for Newton's fixed income capabilities. Following this meeting, we can confirm that we have assigned a rating of '4 - Retain' for Newton's fixed income strategies.

Newton's fixed income team is managed by Paul Brain, who joined Newton in 2004 and manages a range of global bond funds. The fixed income team at Newton is comprised of 9 investment professionals with 17 years average investment experience. Newton employs a top down global thematic approach to investing and this philosophy also applies to fixed income investing. Fixed income assets account for approximately 7% of total assets under management at Newton, with equities, multi-asset and real return accounting for the remainder.

Relative Quarterly and Relative Cumulative Performance



Fund Holding as at 30 September 2015



Fund Commentary

The Newton bond mandate seeks to outperform its benchmark by 1% p.a. (gross of fees) over a rolling 5 year period.

The fund marginally underperformed its benchmark by 0.1% over the quarter to end September 2015, although absolute performance was positive with a return of 1.4%.

The Newton Long Corporate Bond Fund, in which c. 93% of assets are currently invested in, performed slightly behind its benchmark over the quarter as a shorter duration position proved detrimental during the month of July as gilt yields declined. As credit markets then deteriorated over the final two months of the quarter, some of this relative performance was recouped but the fund's cash holdings also provided a modest drag on returns as well.

The remaining three funds in which the Fund is currently invested in all underperformed their respective benchmarks contributing to the overall relative underperformance of the bond mandate. Of the three, the largest detractor was the Fund's small holding in Newton's Global Dynamic Bond fund as positions in high yield corporates and emerging market sovereign debt both underperformed.

At the end of the quarter, the manager sought to take profit from a number of positions, partly to meet outflows, but also based on a view that credit spreads would continue to widen over the final quarter of 2015 as the economic backdrop weakened and liquidity continued to deteriorate.

Schroder Corporate Bond Fund

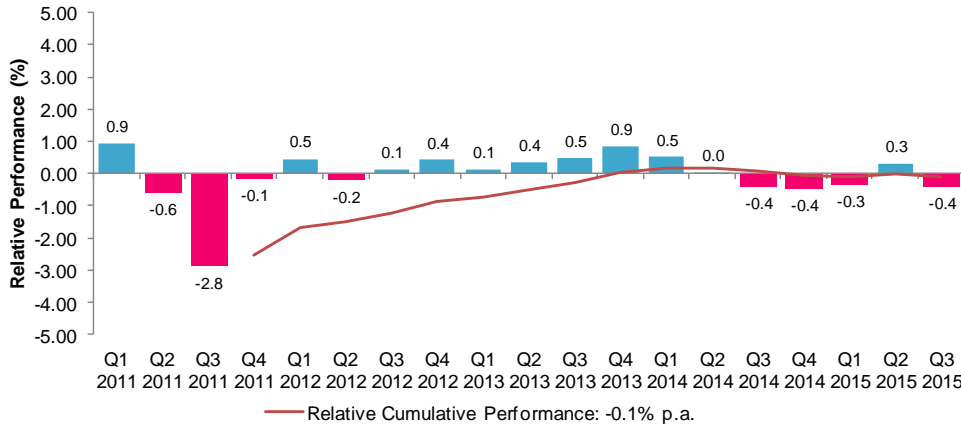
HR View Comment & Rating



We rate Schroder's corporate bond fund at '4 - Retain'.

There were no significant changes to report over the quarter to end September 2015.

Relative Quarterly and Relative Cumulative Performance [i]



Fund Commentary

The Schroder All Maturities Corporate Bond Fund seeks to outperform its benchmark by 0.75% p.a. (gross of fees) over a rolling 3 year period.

The fund delivered an absolute return of 0.6% over the third quarter of 2015, underperforming its benchmark by 0.4%. The fund is marginally lagging its performance objective over the past 3 years and remains behind since inception. The largest detractor from performance over the quarter was the fund's credit sector allocation within the quasi-government and utilities sectors. This was partially offset by credit selection, notably securitised and industrials BBB-rated issues.

In terms of portfolio positioning, the manager remains benchmark neutral in terms of duration but is seeking to minimise exposure to selected market areas that it expects could be vulnerable to disruption caused by the slowdown in China. This included reducing the fund's exposure to commodity sensitive sectors such as energy. As a result of credit spreads widening over the period, the manager was also able to take advantage of cheaper valuations to tactically increase the fund's overall credit and interest rate risk over the period.

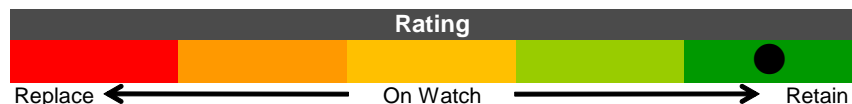
Performance Summary (Gross of fees) [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	0.6	3.8	5.6	6.9
Benchmark	1.0	4.6	5.1	7.0
Relative	-0.4	-0.7	0.6	-0.1

* Inception date 31 Dec 2010.

LGIM Corporate Bond Fund

HR View Comment & Rating



There were no significant changes to report over the quarter to end September 2015.

We continue to rate the manager as '5 - Preferred manager'.

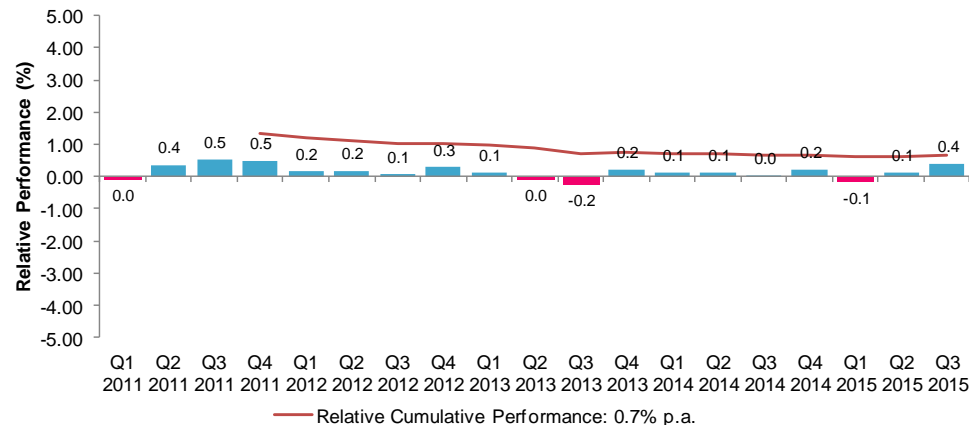
Fund Commentary

The Legal & General Active Corporate Bond Fund seeks to outperform its benchmark by 0.75% p.a. (gross of fees) over a rolling 3 year period.

Over the 3 month period to 30 September 2015, the fund outperformed its benchmark by 0.4% as the manager's more cautious positioning aided performance over a period in which volatility spiked significantly. A notable contributor to fund outperformance included a small underweight credit risk position as credit spreads widened over the quarter. An overweight to securitised bonds and a preference for financials over non-financials also proved beneficial; the risk-off market and the attraction of bonds backed by defined assets benefitted the former whilst the latter was driven by the view that financials would outperform as they continue to repair or strengthen their balance sheets.

As a result of the outperformance over the quarter, the fund is now broadly in line with its performance objective since the Fund's new investment strategy was implemented in December 2010.

Relative Quarterly and Relative Cumulative Performance ^[i]



Performance Summary (Gross of fees) ^[ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.3	5.1	5.4	7.5
Benchmark	0.9	4.5	5.0	6.8
Relative	0.4	0.6	0.5	0.7

* Inception date 31 Dec 2010.

Performance Calculation

Geometric vs Arithmetic Performance

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

$$\left(\left(1 + \text{Fund Performance} \right) / \left(1 + \text{Benchmark Performance} \right) \right) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

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

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

Period	Arithmetic Method			Geometric Method			Difference
	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	0.10%
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	-1.24%
Linked 6 months			-0.25%			0.96%	-1.21%
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	0.34%

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.

If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

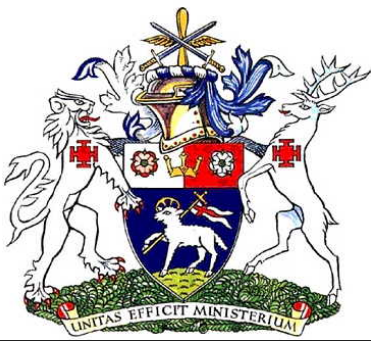
If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.

If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.



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Pension Fund Committee

03 February 2016

Title	Update on Admitted Bodies Organisations
Report of	Chief Operating Officer
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Admitted Bodies Monitoring Sheet
Officer Contact Details	Karen Scott, Service Delivery Manager, Capita Karen.scott2@capita.co.uk 07785 454929

Summary

This report updates the Committee on the Admitted Bodies participating in the Local Government Pension Scheme administered by the London Borough of Barnet and asks for approval of five new admitted bodies.

Recommendations

1. That the Pension Fund Committee note the update to the issues in respect of admitted body organisations within the Pension Fund, as detailed in Appendix 1.
2. That the Pension Fund Committee approve the 5 new Admitted Bodies to the Fund of Green Sky (1 and 3), Absolutely Catering, Servest and Brookwood Partnership Ltd

1. WHY THIS REPORT IS NEEDED

- 1.1 The Report is to update the Pension Fund Committee on the current position in terms of Admitted Bodies to the London Borough of Barnet Pension Fund

2. REASONS FOR RECOMMENDATIONS

- 2.1 Green Sky: Queenswell Infants (Green Sky 1) and St Michaels Catholic (Green Sky 3) schools in Barnet, have outsourced their cleaning services to Green Sky
- 2.2 Absolutely Catering: Queenswell School have outsourced their catering contract to Absolutely Catering
- 2.3 Servest: Henrietta Barnet School has outsourced their cleaning contract to Servest
- 2.4 Brookwood Partnership Ltd : St James Catholic School has outsourced their catering contract to Brookwood Partnership Ltd
- 2.5 In accordance with s102 Pensions Act 2003, the former Council employees must be offered the same pension benefits and rights or a Government Actuary Department approved broadly comparable scheme. Green Sky (1 and 3), Absolutely Catering, Servest and the Brookwood Partnership Ltd have opted to offer the same pension rights and have asked to become Admitted Bodies. The Committee is asked to approve this subject to the providers detailed above putting the appropriate bond in place.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 Once any recommendations in terms of Admitted Bodies have been approved, the Pension Fund will take appropriate action to update records and obtain Bond information.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 To maintain the integrity of the Pension Fund by monitoring of admitted body organisations and ensuring all third-parties comply fully with admission agreements and bond requirements. This ensures that pension fund liabilities

are covered by the responding admitted bodies; this in return protects Barnet's liabilities and supports the Council's corporate priorities as expressed through the Corporate Plan.

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

5.2.1 Appendix 1 notes the bond levels required for each admitted body which will act as guarantee for the Pension Fund liabilities.

5.2.2 All organisations that have been paying their contributions in a timely way in line with the terms of their admittance to the pension board have been rated green in Appendix 1.

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 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 by reason 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 enter into an indemnity or bond to meet the level of risk identified.

5.4.3 The Council's standard admissions agreement makes provision for the admission body to maintain a bond in an approved form and to vary the level of risk exposure under the bond as may be required from time to time

5.4.4 The Council's Constitution, Responsibility for Functions enables the Pension Fund Committee's functions is to consider and approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.

5.5 Risk Management

5.5.1 The ongoing viability of the Pension Fund is dependent on maximising contributions to the Fund. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions

agreements and maintenance of appropriate employer contribution levels in order to mitigate against any risk to the financial viability of the pension fund

- 5.5.2 There is a possibility of financial losses on the Pension Fund where arrangements around admitted bodies and bond agreements are not sufficiently robust. Monitoring arrangements are in place to ensure that Admissions Agreements and bond (where relevant) are in place and that bonds are renewed, as appropriate, during the lifetime of the relevant Admission Agreement.

5.6 Equalities and Diversity

- 5.6.1 Ensuring the long term financial health of the Pension Fund will benefit everyone who contribute 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

The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services

5.7 Consultation and Engagement

- 5.7.1 Not Applicable

5.8 Insight

- 5.8.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 None

Appendix 1 – Admitted Bodies Monitoring Sheet

Admitted Body Monitoring Spreadsheet

Admitted Body	No Of active Employees on transfer	Start Date	Bondsman	Bond Value (£)	Bond Expiry date	Bond Tag (red)	Pension cont on time RAG	Comments
Housing 21 (2) New (employer 68)	56	06/09/2010	Barclays Bank	778K	30/09/2015		G	Actuarial report has been provided, question over whether this renewal of bond is required as service being re-procured, currently with LBOB for decision
Viridian Housing	11	22/04/2006	Euler Hermes UK	65K	16/08/2016		G	
Fremantle Trust (2)	83	28/03/2014	Royal Bank of Scotland	770K	27/03/2017		G	
	22	31/12/2002	Zurich Insurance PLC	328K	30/09/2017		G	

Greenwich Leisure								
Birkin Cleaning Services (St James Catholic)	6	24/10/2011	Technical & General Guarantee Company SA	13K	30/08/2015		G	Actuary agreed to roll forward at same level as previous year and employer currently making the arrangements to renew the Bond, chased several times last 6/1/2016
Mears Group	19	10/04/2012	Euler Hermes	320K	30/09/2017		G	
NSL	31	01/05/2012	Lloyds TSB	412K	30/04/2017		G	
Blue 9 Security	2	03/08/2012	Evolution Insurance	61K	Not required		G	The final active member has now left the scheme, data has been submitted to the actuary to provide a cessation report
Music Service (BEAT)	2	01/03/2013	N/A	24K	28/02/2016		G	The employer has been informed of the revised Bond amount and is currently taking action to put the Bond in place

Capita (NSCSO)	412	01/09/2013	Barclays Bank PLC	4,731K	01/09/2017		G	
Capita (DRS)	261	01/10/2013	Barclays Bank PLC	3,813K	01/10/2017		G	
OCS Group	13	31/05/2014	HSBC	102k	31/05/2017		G	
Ridgecrest Cleaning	4	03/11/2014	HCC International	14k	03/11/2017		G	
Green Sky (2)(Claremont School)	4	19/01/2015	TBC	£23K	07/07/2017	R	G	The insurance company has now said that Green Sky would have to hold the bond on a cash basis ie they would have to pay the full amount of cash to the insurer, which is not possible for this small provider. Following discussions with the Actuary and CEB, LBOB are to commission an actuarial report to consider alternatives to Bonds as they are becoming increasingly difficult to obtain for small employers, there will be

								no further action on this Bond until the report is provided, the employer is paying regular employee and employer contributions to the fund
Hartwig	1	23/06/2014	N/A	N/A	N/A		G	Liabilities retained by LBB no bond required
Allied Healthcare	4	23/06/2014	N/A	N/A	N/A		G	Liabilities retained by LBB no bond required
Absolutely Catering (Queenswell School Catering Contract)	1	1/9/2015	TBC	TBC	TBC		G	Data has been submitted to the actuary to calculate the current Bond requirement
Green Sky (3) (St Michaels School cleaning contract)	5	1/9/2014	TBC	16K	1/9/2017	R	G	The insurance company has now said that Green Sky would have to hold the bond on a cash basis ie they would have to pay the full amount of cash to the insurer, which is not possible for this small provider. Following discussions with the Actuary and CEB, LBOB are to

								commission an actuarial report to consider alternatives to Bonds as they are becoming increasingly difficult to obtain for small employers, there will be no further action on this Bond until the report is provided, the employer is paying regular employee and employer contributions to the fund
Brookwood (St James' Catholic School)	8	1/1/2016	TBC	33k	1/1/2019	NA	NA	The Actuarial report has been submitted to the provider and action is being taken to secure the Bond
Servest (Henrietta Barnet School)	1	TBC	TBC	TBC	TBC			Awaiting confirmation of who will meet the actuarial costs

For information only (current activities)

Care Contract - The 3 Care Contracts detailed above (Allied Healthcare, Hartwig and Housing 21) are being re-procured and we have provided actuarial reports to confirm the employer contribution rate and the Bond requirement (Only required for Housing 21)

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	<h2 style="margin: 0;">Pension Fund Committee</h2> <h3 style="margin: 0;">3 February 2016</h3>
<p style="text-align: right;">Title</p>	<p>Pension Fund External Audit Plan for the year ended 31 March 2016</p>
<p style="text-align: right;">Report of</p>	<p>Chief Operating Officer</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A - External Audit Plan Workplan</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Iain Millar, Head of Treasury Services 0208 359 7126</p>

<h3 style="margin: 0;">Summary</h3>
<p>In line with International Standard on Auditing 260 (ISA 260) the Pension Fund’s external auditors, BDO, should be provided with access to those charged with governance . BDO are the Pension Fund’s appointed external auditors for the 2015/16 financial year, replacing Grant Thornton.</p> <p>Appendix A to this report provides a progress report from BDO on their workplan for external audit activities for 2015/16.</p>

<h3 style="margin: 0;">Recommendations</h3>
<p>1. That the Pension Fund Committee note the audit strategy for the 2015/2016 external audit.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 The audit plan contained at appendix A of the report highlights the key elements of the external auditor's proposed audit strategy for the benefit of those charged with governance.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The recommendations are required in order for the Council to comply with statutory audit requirement.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None-statutory function

4. POST DECISION IMPLEMENTATION

- 4.1 The External Auditor will report to the next Pension Fund Committee to provide a follow up on the previous period's detailed audit findings.

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 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.

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 financial management as well as providing value for money.

- 5.2.1 The external audit fees for 2015-16 are £21,000, external audit fees were £21,000 in 2014-15).

5.3 Social Value

- 5.3.1 Contributing to Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution, Responsibility for Functions outlines the terms of reference which enables the Pension Fund Committee to consider and determine this report as the approval of the Pension Fund Statement of Accounts is within the remit of the Committee.

5.5 Risk Management

- 5.5.1 The external audit progress report attached 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 Equalities 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.

5.7 Consultation and Engagement

- 5.7.1 Not required.

5.8 Insight

- 5.8.1 Not used-external report.

6. BACKGROUND PAPERS

- 6.1 None

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LONDON BOROUGH OF BARNET PENSION FUND

Audit Progress Report

January 2016

INTRODUCTION

Background

This report is intended to provide the Pension Fund Committee with an outline of our proposed work for 2015/16.

The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General of the National Audit Office responsible for the preparation, publication and maintenance of the Code of Audit Practice.

The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. For the pension fund, this covers:

Audit of the financial statements

- to be satisfied that the pension fund accounts present a true and fair view, and comply with the requirements of the enactments that apply to them
- to be satisfied that proper practices have been observed in the preparation of the accounts




Reporting

- to issue an audit plan that sets out how the auditor intends to carry out their duties
- to report the findings of the audit to those charged with governance
- to express an opinion on the pension fund accounts.

Progress to date

We have assessed whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions.

This is included as a 'RAG' assessment in the report.

ASSESSMENT		EXPLANATION
RED		Unlikely to be able to meet reporting deadlines, significant concerns over governance or finance, or expected modification of audit report or opinion.
AMBER		Some concerns around meeting reporting deadlines, some concerns over governance or finance, or potential risk of modification of audit report or opinion.
GREEN		On target to meet deadlines and no current concerns over governance or finance.
	TBC	Work not yet started or sufficiently progressed to include a 'RAG' assessment


Please note that this report does not cover progress on our audit of the London Borough of Barnet Council, which will be reported separately to the Audit Committee.

Tracking progress

In order to allow you to track our progress, where work has been completed and previously reported to you we have 'greyed' out the text.


The key completion and reporting dates are also noted in the following tables.

AUDIT PROGRESS 2015/16

AUDIT AREA	SCOPE	PROGRESS	REPORTS / OUTPUTS	RAG
PLANNING				
Planning letter	We are required to provide you with a planning letter setting out the scope of the audit for the year and the proposed fees set by Public Sector Audit Appointments Limited (PSAA).	We have issued our planning letter and the proposed fee for the NAO Code audit is £21,000.	Planning Letter Issued 23 March 2015.	
Audit plan	We are required to report to you the results of our audit planning, our risk assessment and the proposed audit response to significant audit risks ahead of commencement of the audit work.	Detailed audit planning commenced in January 2016, and is currently still ongoing. This has included a planning visit to the Council in order to document key financial systems and controls. This will allow us to assess risks and agree our audit strategy for 2015/16.	Audit Plan Audit plan to be issued at the next Pension Fund Committee meeting.	TBC April 2016
FINANCIAL STATEMENTS				
Review of internal controls	Review of the significant financial systems that support the financial statements to be completed before draft accounts are prepared.	Preliminary review of the key financial systems, including an assessment of the design and implementation of key controls commenced in January 2016. Further review and testing of the operating effectiveness of selected internal controls in place for the pension fund will be carried out at our interim audit visit in February 2016.	Report on significant deficiencies in internal controls Where appropriate, significant deficiencies in internal controls will be reported in April 2016. All other observations on internal controls will be reported in our Final Audit Report in July 2016.	TBC April 2016

AUDIT PROGRESS 2015/16

AUDIT AREA	SCOPE	PROGRESS	REPORTS / OUTPUTS	RAG
Financial statements audit	<p>Audit of the draft financial statements to determine whether these give a true and fair view of the pension fund's financial position as at 31 March 2016 and the income and expenditure for the year.</p> <p>The audit also includes a review of whether the other information published with the financial statements (such as the Narrative Statement) is consistent with the pension fund financial statements.</p>	<p>Final audit testing of the financial statements will commence in June 2016.</p> <p>The deadline for submission of the audited financial statements is 30 September 2016.</p>	<p>Final Audit Report</p> <p>The findings of our audit on the financial statements will be reported to the Pension Fund Committee in July 2016.</p> <p>Auditor's report</p> <p>The opinion on the pension fund financial statements will be included in the auditor's report and issued following the Pension Fund Committee's approval of the pension fund accounts.</p>	<p>TBC</p> <p>July 2016</p> <p>Deadline</p> <p>30 September 2016</p>



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

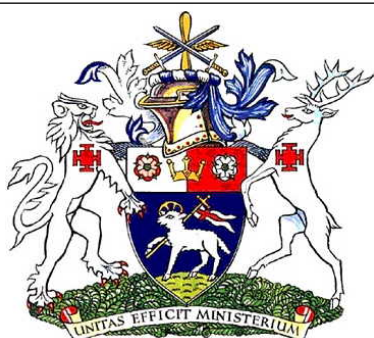
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Pension Fund Committee
03 February 2016

Title	Pension Fund Committee Work Programme
Report of	Chief Operating Officer
Wards	Not Applicable
Status	Public
Enclosures	Appendix A - Committee Work Programme February 2016 - May 2016
Officer Contact Details	Paul Frost Paul.frost@barnet.gov.uk 020 8359 2205

Summary

This report outlines the business which the Pensions Fund Committee is to consider and determine 2015-16.

Recommendations

1. That the Committee consider and comment on the items included in Appendix A.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Pension Fund Committee Work Programme 2015-16 indicates forthcoming items of business.
- 1.2 The work programme of this Committee is intended to be a responsive tool, which will be updated on a rolling basis following each meeting, for the inclusion of areas which may arise through the course of the year.
- 1.3 The Committee is empowered to agree its priorities and determine its own schedule of work within the programme.

2. REASONS FOR RECOMMENDATIONS

- 2.1 There are no specific recommendations in the report. The Committee is empowered to agree its priorities and determine its own schedule of work within the programme.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 N/A

4. POST DECISION IMPLEMENTATION

- 4.1 Any alterations made by the Committee to its Work Programme will be published on the Council's website.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Committee Work Programme is in accordance with the Council's strategic objectives and priorities.

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

- 5.2.1 None in the context of this report.

5.3 Legal and Constitutional References

- 5.3.1 The Terms of Reference of the Pension Fund Committee is included in the Constitution, Responsibility for Functions.

5.4 Risk Management

- 5.4.1 None in the context of this report.

5.5 Equalities and Diversity

- 5.5.1 None in the context of this report.

5.6 Consultation and Engagement

5.6.1 None in the context of this report.

6. BACKGROUND PAPERS

6.1 None.

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London Borough of Barnet

Pension Fund Committee Work Programme

February 2016 - May 2016

Title of Report	Overview of decision	Report Of (<i>officer</i>)	Issue Type (Non key/Key/Urgent)
15 March 2016			
Barnet Council Pension Fund Performance for October to December 2015	To consider the performance of the Pension Fund for the quarter to December 2015	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
Update on admitted body organisations issues and monitoring report	To note the update to the issues in respect of admitted body organisations within the Pension Fund	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
Update on Collective Investment Vehicle	For information / investment management decisions	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
Review of the investment strategy	Hymans Report	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
Local Pension Board Report	To receive the report on the work of the Local Pension Board	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
External Auditor: Audit Approach Memorandum for the year ended 31 March 2016	To note detailed Audit Approach Memorandum report from the external auditors for the year ended 31 March 2016	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key

Subject	Decision requested	Report Of	Contributing Officer(s)
Knowledge and Understanding Policy and Training Plan	To approve the Knowledge and Understanding Policy and Training Plan.	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
Update on Collective Investment Vehicle	For information / investment management decisions	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
2016/17 – Date To be confirm by Full Council			
Statement of Investment principles	Review the statement of Investment Principles	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
Actuarial Review Final Report and Funding Strategy Statement	To review that funding strategy statement	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key

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