

MEETING

LOCAL PENSION BOARD

DATE AND TIME

MONDAY 9TH NOVEMBER, 2015

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ

TO: MEMBERS OF LOCAL PENSION BOARD (Quorum 3)

Chairman: Councillor Brian Salinger
Vice Chairman: Geoffrey Alderman

Stephen Ross

Tom Evans

Luke Ward

Substitute Members

Councillor Daniel Thomas
Vacancy

Hem Savla

Richard Budd

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

Andrew Charlwood – Head of Governance

Governance Service contact: Faith Mwende, faith.mwende@barnet.gov.uk, 020 8359 4917

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	1 - 4
2.	Disclosable Pecuniary interests and Non Pecuniary interests	
3.	Absence of Members	
4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
6.	Members' Items (if any)	
7.	Barnet Pension Fund Performance for Quarter April to June 2015	5 - 28
8.	Admitted Bodies Organisations	29 - 42
9.	Pension Fund Risk Register Review	43 - 48
10.	Committee Work programme	49 - 56
11.	Any other item(s) the Chairman decides are urgent	

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Decisions of the Local Pension Board

29 July 2015

Members Present:-

AGENDA ITEM 1

Councillor Brian Salinger (Chairman) (Employer Representative)

Geoffrey Alderman (Vice-Chairman) (Employee Representative)

Luke Ward (Employee Representative) Stephen Ross (Independent Member)
Tom Evans (Employer Representative)

Also in attendance:

Hem Savla (Substitute Employee Representative)

Pending the appointment of a Chairman and vice-Chairman, the clerk opened the meeting and reported the absence of Members and sought nominations for the position of Chairman.

1. ABSENCE OF MEMBERS

There were none.

2. ELECTION OF CHAIRMAN AND VICE CHAIRMAN

RESOLVED-

1. That Councillor Brian Salinger be appointed as Chairman of the Local Pension Board
2. That Professor Geoffrey Alderman be appointed as Vice-Chairman of the Local Pension Board.

3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

There were none

4. PUBLIC QUESTION AND COMMENTS (IF ANY)

There were none

5. REPORT OF THE MONITORING OFFICER (IF ANY)

There were none

6. MEMBERS' ITEMS (IF ANY)

There were none

7. APPROVAL AND ADOPTION OF THE TERMS OF REFERENCE

The Board considered the report. The Board asked officers to review why the Board's terms of reference prohibited the Independent Member from being the Chairman and requested a report back at the next meeting.

The Board

RESOLVED – to note the Terms of Reference set out in Appendix 2 of the report.

8. LOCAL PENSION BOARD CONSTITUTIONAL FRAMEWORK

The Board considered the report. Board Members agreed to complete the notification of Members Interest and provide a bio for the Local Pension Board internet page.

The Board

RESOLVED –

1. To note that members of the Board are required to comply with the Council's Members Code of Conduct and Conflicts of Interest Policy and the Local Government Pension Scheme (LGPS) Guidance on Conduct of Members and Conflicts of Interest.
2. To note that members of the Board are required to comply with the Council's Data Protection Policy and Information Security Policy.

9. BOARD KNOWLEDGE, UNDERSTANDING AND TRAINING

The Board considered the report.

Board Members agreed to complete the skills and self-assessment form and officer would also routinely circulate any upcoming Pension Training to Board Members.

The Board

RESOLVED –

1. to note the requisite level of knowledge and understanding required for the role and that members will be required to acquire this knowledge and understanding through self-assessment and training.
2. To instruct officers to develop a detailed Member Development Plan for Board Members

10. KEY POLICY DOCUMENTS OF THE BARNET PENSION FUND

The Board considered the report.

Board Members asked for the new Council Corporate Social Responsibility Policy to be incorporated in the review of the Statement of Investment Principles, currently being undertaken and for the results to be shared with the Board.

The Board

RESOLVED –

1. To note the Pension Fund’s key strategy and policy documents.
2. To receive the results of the in the review of the Statement of Investment Principles.

11. BARNET PENSION FUND PERFORMANCE

The Board considered the report.

Board Members asked for WM Company Ltd to attend a training session or the next meeting to provide details on how the benchmarking is assessed.

The Board

RESOLVED –

1. To note the Barnet Council Pension Fund Performance for Quarter January to March 2015
2. To invite WM Company Ltd to attend a training session or the next meeting of the Board to provide details on the benchmarking assessment.

12. LOCAL PENSION BOARD BUDGET 2015/16

The Board considered the report.

The Board

RESOLVED – to note the Local Pension Board Budget for 2015-16.

13. LOCAL PENSION BOARD WORK PROGRAMME

The Board considered the report.

The Board

RESOLVED – to note the work programme.

14. ANY OTHER ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

There were none.

The meeting finished at 7.50 pm

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AGENDA ITEM 7



Local Pension Board
9 November 2015

Title	Barnet Council Pension Fund Performance for Quarter April to June 2015
Report of	Head of Governance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Annex 1 – Report to Pension Fund Committee, 22 October 2015 Appendix A – Pension Fund Market Value of Investments as at 30 June 2015 Appendix B – Hymans Robertson Performance Report to 30 June 2015 Appendix C – WM Local Authority Universe Comparison to 30 June 2015 (<i>to follow</i>)
Officer Contact Details	Faith Mwende, Governance Officer Faith.Mwende@barnet.gov.uk 020 8359 4917

Summary

This report encloses the report on Barnet Council Pension Fund Performance for Quarter April to June 2015 that was considered by Pension Fund Committee, 22 October 2015

Recommendations

That the Board notes and provides comment on the Barnet Council Pension Fund Performance for Quarter April to June 2015.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Local Pension Board is responsible for reviewing the Pension Fund's performance in complying with the requirements of the Pension Regulator, the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
- 1.2 Board members are asked to note and provide comment on the content of the report that was considered at the Pension Fund Committee on 22 October 2015 (Annex 1).

2. REASONS FOR RECOMMENDATIONS

- 2.1 No recommendations have been made. The Board is requested to give consideration and provide instruction if necessary.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Post decision implementation will depend on the decision taken by the Board.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Local Pension Board will support the delivery of the Council's corporate priorities as expressed through the Corporate Plan 2015-20 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 All costs of implementing and running the Local Pension Board will be funded from the Barnet Pension Fund 2015.

5.3 Social Value

- 5.3.1 None in the context of this report.

5.4 Legal and Constitutional References

- 5.4.1 Council Constitution, Responsibility for Functions, Annex A, set out the terms of reference for the Local Pension Board, which include:
 - Review the Pension Fund's performance in complying with the requirements of the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
 - Review the Pension Fund's performance in complying with the requirements of the Pension Regulator.
 - To carry out any other activities relating to the efficient governance and administration of the Pension Fund.

5.5 Risk Management

5.5.1 None in the context of this report.

5.6 Equalities and Diversity

5.6.1 None in the context of this report.

5.7 Consultation and Engagement

5.7.1 None in the context of this report.


5.8 Insight

5.8.1 None in the context of this report.

6. BACKGROUND PAPERS

6.1 None in the context of this report.

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	<h2 style="margin: 0;">Pension Fund Committee</h2> <h3 style="margin: 0;">22 October 2015</h3>
<p style="text-align: right;">Title</p>	<p>Barnet Council Pension Fund Performance for Quarter April to June 2015</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 – Pension Fund Market Value of Investments as at 30 June 2015 Appendix B – Hymans Robertson Performance Report to 30 June 2015 Appendix C – WM Local Authority Universe Comparison to 30 June 2015 (<i>to follow</i>)</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Iain Millar, Head of Treasury Services iain.millar@barnet.gov.uk 0208 359 7126</p>

Summary

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

Recommendation

That, having considered the performance of the Pension Fund for the quarter to 30 June 2015, the 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 Not applicable.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable.

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 has appointed external fund managers to maximise pension fund assets in accordance with the fund investment strategy. 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 The total value of the pension fund's investments including internally managed cash was £888.469 million as at 30 June 2015, down from £919.903 million as at 31 March 2015. The total market value of externally managed investments fell by £16.45 million over the quarter. The graph in Appendix A shows how the

market value of the fund has grown since 2007. Since June 2015, markets have been volatile. The total value of the fund as at 30 September 2015 was £872.014 million (£882.744 million as at 31 August 2015).

5.2.4 **Summary:** Over the quarter at a total scheme level the Fund's externally managed investments produced an absolute negative returns of -3.2%. In relative terms the scheme underperformed against benchmark by -1.9. Over 12 months the absolute return was 5% with relative outperformance of 0.2%. The attached performance report is the first monitoring report from Hymans Robertson.

5.3 **Social Value**

5.3.1 Not applicable.

5.4 **Legal and Constitutional References**

5.4.1 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 requires the Administering Authority to review the performance of the investment manager on a quarterly basis.

5.4.2 The Council's Constitution – Annex A – Responsibility for Functions, details the responsibilities of the Pension Fund Committee, including 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. One of these meetings to be the annual review, at which the representative from the council's performance management organisation attends to comment on the relative performance of the fund managers.

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

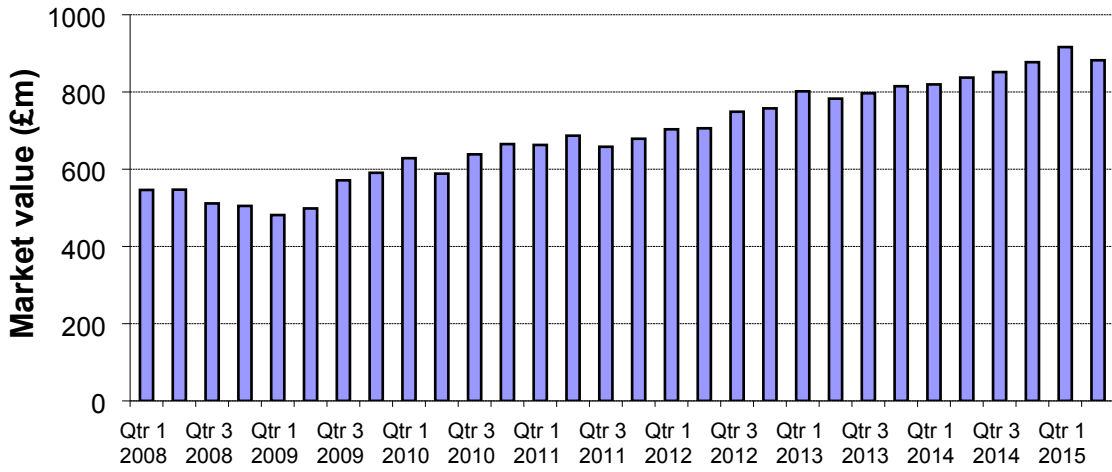
5.8.1 Not applicable.

6. BACKGROUND PAPERS

6.1 None

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

Market value of Pension Fund



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London Borough of Barnet Pension Fund

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



Prepared By:

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

For and on behalf of Hymans Robertson LLP
October 2015

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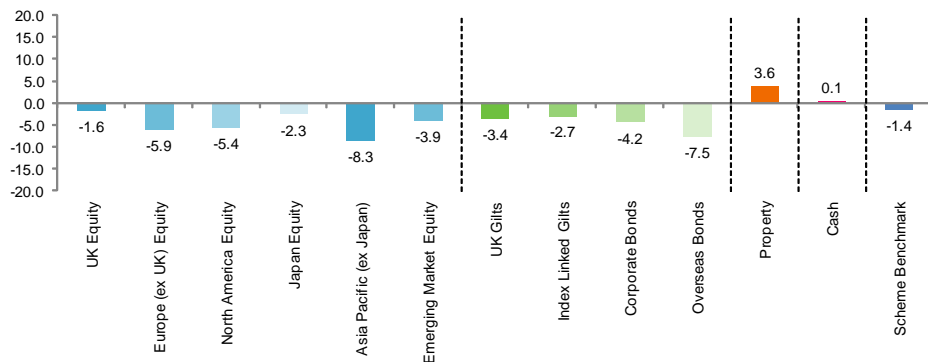
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile 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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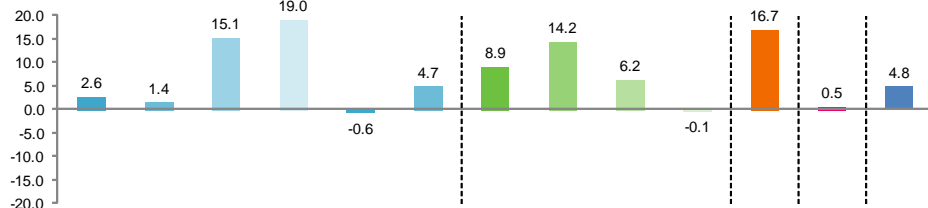
Historic Returns for World Markets to 30/06/2015

Historic Returns ^[1] [0]

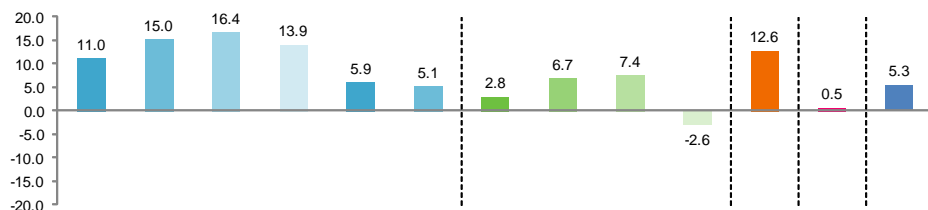
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comment

Global equity and bond markets fell during the second quarter of 2015. Concerns about deflation eased and pushed bond yields steadily higher; Sterling strengthened against most major currencies and so broadly flat equity markets in local currency delivered negative sterling returns.

Economic news was mildly positive in most regions. The US enjoyed a modest rebound after a disappointing first quarter and data relating to the Eurozone suggested a continuation of the gradual recovery seen in recent quarters.

In the UK, economic growth estimates for Q1 2015 were revised upwards from 0.3% to 0.4% and the estimate of growth for 2014 as a whole was revised from 2.8% to 3.0%, the highest rate since 2007. Inflation turned marginally negative in April for the first time in 50 years as prices declined by 0.1% compared with a year earlier, although this was reversed with a 0.1% increase on an annual basis in May.

Negotiations over a bailout for Greece dominated headlines, as the four-month extension negotiated in February grew closer to expiry. Towards the end of June the Greek government dramatically called a referendum on the terms of the expired bailout proposal, which was widely considered to be a referendum on Euro membership; following a “no” vote in early July, banks remained closed and last-ditch negotiations continued.

Key events during the quarter included:

Global Economy

- Short-term interest rates were unchanged in the UK, US, Eurozone and Japan;
- UK inflation (CPI) fell to -0.1% in April, but recovered to 0.1% in May;
- Modest deflationary pressures in the Eurozone gave way to mild inflation throughout the quarter;
- Japan’s economy continued to grow moderately, after emerging from recession in late 2014;
- Trade data increased fears that the Chinese economy is slowing more quickly than expected; the authorities responded with a surprise cut to interest rates at the end of June.

Equities

- The strongest sectors relative to the FTSE All World Index were Telecoms (+2.5%) and Financials (+1.6%); the weakest were Utilities (-2.6%) and Industrials (-1.6%);
- Corporate activity came close to the record levels experienced in Q2 2007, driven by the £47bn takeover of BG Group by Royal Dutch Shell and the continued activity in the healthcare sector.

Bonds and currencies

- Sterling strengthened against major currencies; the Yen weakened the most, with the Euro surprisingly resilient to the Greek crisis;
- Bond yields generally rose; German ten year bonds dipped below 0.1% p.a. in April, before rising sharply to finish the quarter around 0.8% p.a.

[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.

Fund summary

Valuation Summary ^{[1] [i]}

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q1 2015	Q2 2015			
Global Equity	52.0	49.2	5.6	6.0	-0.4
Diversified Growth Funds	559.5	546.2	61.9	62.0	-0.1
Corporate Bonds	299.7	286.7	32.5	32.0	0.5
Total	911.3	882.1	100.0	100.0	

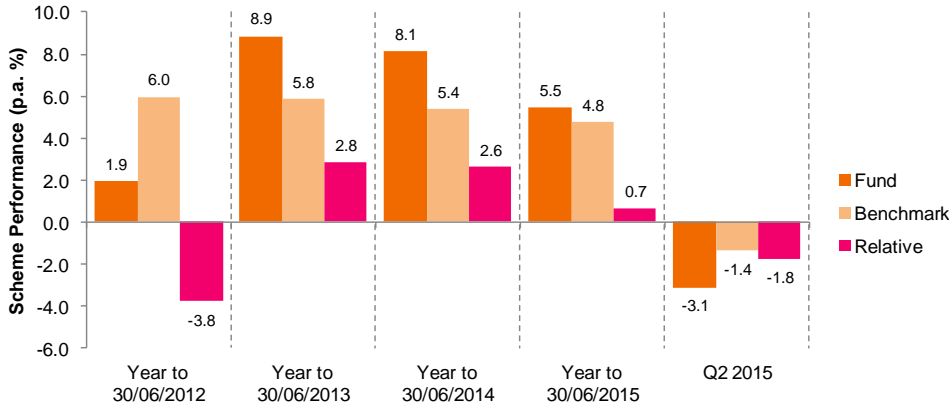
Comments

Total Fund assets fell over the second quarter of 2015 by c. £29m as markets fell.

In terms of relative performance, the Fund's combined assets underperformed the combined benchmark (gross of fees) by 1.8% over Q2 2015. This reflected the DGFs' absolute return targets which are difficult to meet when all markets are generally negative.

The Fund is currently 0.4% underweight to global equities versus its strategic target with roughly a corresponding overweight to corporate bonds. We do not see this as a reason to rebalance at this time.

Performance Summary ^{[2] [iii]}



Relative Quarterly and Relative Cumulative Performance ^{[3] [iii]}



[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] [0]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q1 2015	Q2 2015			
LGIM World ex UK Equity Index Fund	52.0	49.2	5.6	6.0	-0.4
Newton Real Return Fund	275.1	267.5	30.3	31.0	-0.7
Schroder Life Diversified Growth Fund	284.4	278.7	31.6	31.0	0.6
LGIM Active Corporate Bond All Stocks Fund	19.9	19.1	2.2	2.0	0.2
Newton Corporate Bond Fund	147.7	140.2	15.9	15.0	0.9
Schroder All Maturities Corporate Bond Fund	132.1	127.3	14.4	15.0	-0.6
Total	911.3	882.1	100.0	100.0	0.0

[1] Excludes operating cash held in Fund bank account.

Source: [1] 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	-5.4	-2.9	-1.9	-3.8	-5.1	-3.7	-3.2
	Benchmark	-5.4	1.1	0.7	-3.9	-6.4	-3.9	-1.4
12 Months (%)	Relative	0.0	-4.0	-2.6	0.1	1.3	0.3	-1.9
	Absolute	10.5	1.9	5.2	6.6	8.2	5.6	5.0
3 Years (% p.a.)	Benchmark	10.6	4.5	1.1	6.5	8.0	6.5	4.8
	Relative	-0.1	-2.5	4.1	0.1	0.2	-0.9	0.2
Since Inception (% p.a.)	Absolute	14.1	3.7	8.6	6.7	7.5	7.2	7.0
	Benchmark	14.2	4.2	2.3	6.6	7.8	6.6	5.3
Since Inception (% p.a.)	Relative	-0.1	-0.5	6.1	0.1	-0.3	0.5	1.6
	Absolute	8.9	3.2	5.0	7.5	8.9	6.9	5.5
Since Inception (% p.a.)	Benchmark	9.0	4.6	2.9	7.0	9.0	7.1	5.5
	Relative	-0.1	-1.4	2.1	0.4	-0.1	-0.2	0.0

[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 and General Investment Management's ('LGIM') index-tracking equity capability at '5 – Preferred strategy'.

At the end of last year, Ali Toutouchi, Global Head of Index Funds, announced his intention to retire towards the end of 2015. Since then, there has been further changes announced within the senior management at LGIM. In March 2015, LGIM announced the departure of Joseph Molloy, Head of Index Equities, who has subsequently joined HSBC. Responsibility for Molloy's previous roles was passed to Julian Harding, Director of Index Fund Management in the UK.

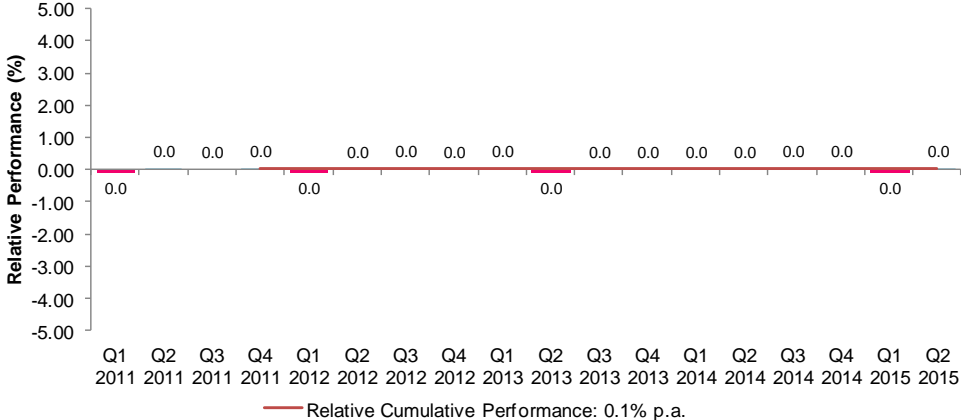
In September LGIM announced that Chad Rakvin will succeed Ali Toutouchi as Global Head of Index Funds. Rakvin was recruited from Northern Trust in 2013 to lead LGIM's index funds expansion in the US. Rakvin will relocate to London and will report to Aaron Meder, Head of Investments. Toutouchi will work through a handover period with Rakvin and will continue to be involved with LGIM in a strategic and advisory capacity. Having taken over Molloy's responsibilities only a few months ago, Julian Harding is set to leave LGIM and Colm O'Brien, who joined from Irish Life in 2012, will take over his responsibilities. Eve Finn, who joined LGIM in 2009, expands her role from engaging with clients on LDI derisking solutions to a much broader, newly created role as Head of Portfolio Solutions. Harding's departure is clearly a consequence of losing out to Rakvin to succeed Toutouchi. In our view Harding was a good manager who understood the UK market very well and his departure is an unfortunate consequence of these changes. Rakvin and O'Brien have plenty of relevant investment experience but have also had much less time at LGIM and less involvement with the UK market than the individuals they are replacing.

Notwithstanding the incidence of change in senior personnel at LGIM, we see no reason to question the continuity of the business at this point and maintain our rating of LGIM's passive capability at '5 - Preferred strategy'.

Fund Commentary

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

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	-5.4	10.7	14.2	9.0
Benchmark	-5.4	10.6	14.2	9.0
Relative	0.0	0.1	0.1	0.1

* Inception date 31 Dec 2010.

Newton Real Return Fund

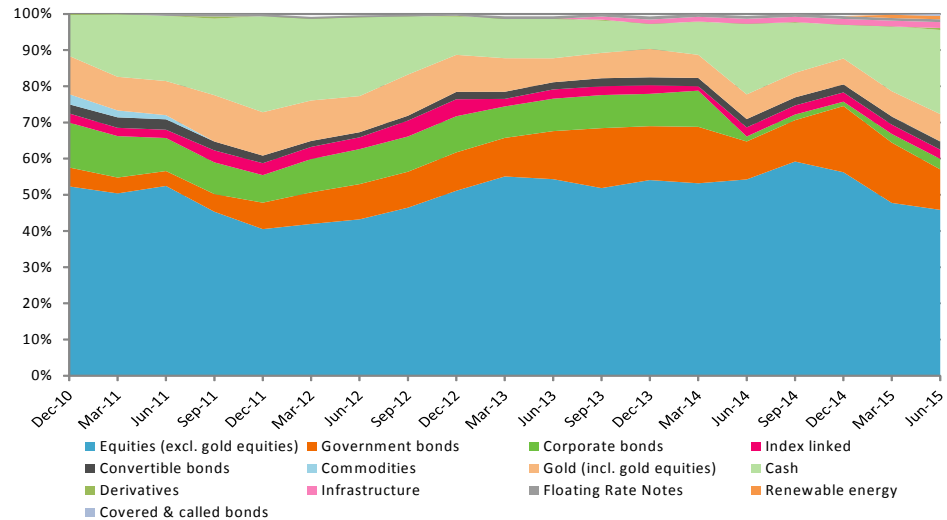
HR View Comment & Rating



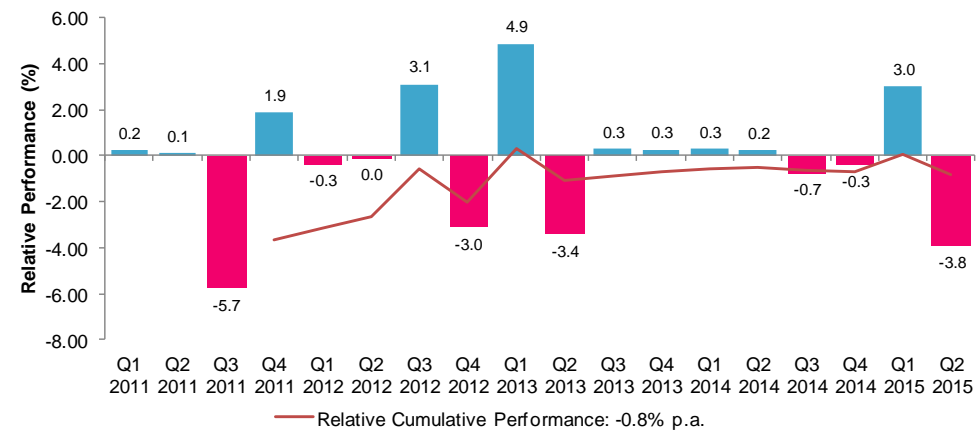
We rate Newton's Real Return Fund at '5 - Preferred strategy'.

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 second quarter the Real Return strategy had assets under management of £12.8bn. 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 quarter to 30 June 2015.

Change in asset allocation over time



Relative Quarterly and Relative Cumulative Performance



Fund Commentary

The Newton Real Return Fund delivered an absolute return of -2.8% over the second quarter of 2015, underperforming its performance objective of LIBOR + 4% p.a. It is important to note however, that this sort of performance objective is in line with our long-term expected return from equities and hence the expectation of 'equity-like returns with lower risk'. Whilst we still believe this to be an appropriate target it is less than helpful for measuring short and medium-term performance. With this in mind, the fund's longer term performance since inception currently lags this long-term objective by 0.8%.

Newton has reduced the fund's equity exposure over the past 12 months, both through lowering the capital allocation to equities but also through the use of derivatives to hedge some of the exposure. The first quarter of 2015 saw a number of global equity markets reach new highs, contributing positively to performance over the period; however, equity exposure then detracted over the second quarter. Around 16% of the fund is now protected, with the majority of this protection written against the S&P 500 index, principally implemented using index futures. One of Newton's long-running inflation hedging positions is exposure to gold, both directly through exchange traded funds (ETFs) and through gold-mining stocks. This has been reviewed this year and over the second quarter the team diversified the exposure through the inclusion of a number of small-cap gold producing stocks. During the second quarter the team took the decision to reduce the fund's exposure to the longer-duration government bond positions which it held in liquid US treasuries. The fund continues to hold Australian and New Zealand government bonds which it expects to benefit from further interest rate cuts. Both positions contributed positively over the first half of 2015, driven by signs of slowing growth in China and mixed signals from the US Federal Reserve on their forward guidance for interest rate expectations. Newton remains cautious on the global outlook and is currently holding 20% in cash.

Schroder Diversified Growth Fund

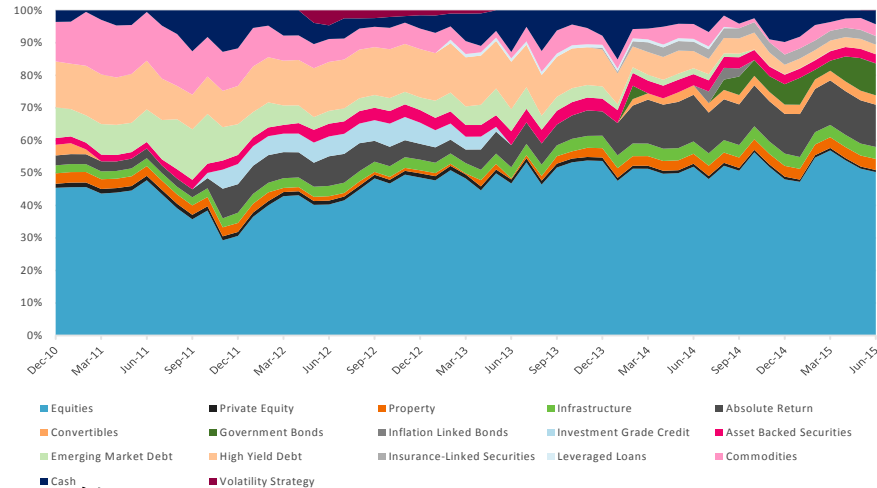
HR View Comment & Rating



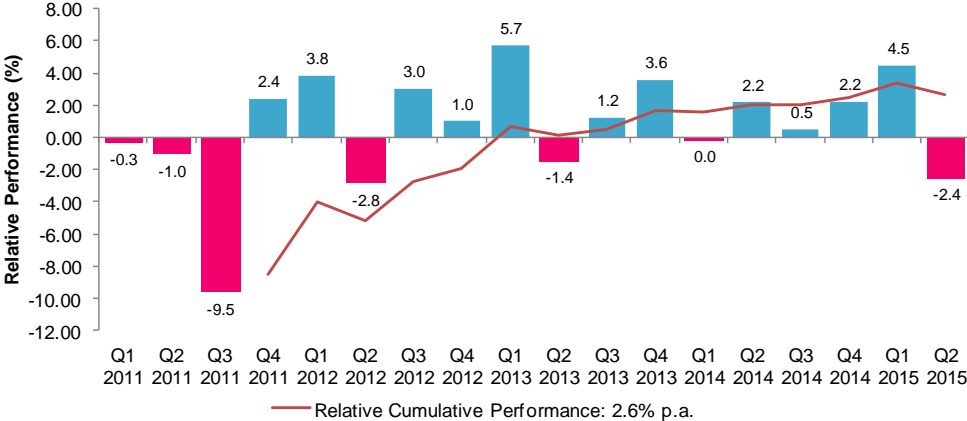
We rate Schroder's Diversified Growth Fund (DGF) at '4 - Retain'.

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 smaller 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. During the second quarter Schroder announced that David King, Head of Quantitative Research within the multi-asset team responsible for the DGF, is moving internally to a portfolio manager role for one of the firm's quantitative equity strategies, QEP. At this stage Schroder have not yet determined who will take over his role within the multi-asset team. We do not expect this to have any significant impact on the management of the DGF. There were no other changes over the quarter to the end of June 2015.

Change in asset allocation over time [i]



Relative Quarterly and Relative Cumulative Performance [ii]



Fund Commentary

The fund experienced a negative return over the second quarter both in absolute terms and in comparison to its inflation + 5% p.a. target. This performance target, like Newton's Real Return performance objective, is less meaningful for measuring short and medium-term performance but is appropriate for ensuring the fund is delivering over the longer term. Versus this target, the fund has performed strongly over the last 3 years and since implementation of the new strategy in December 2010, due mainly to the strong performance of equities.

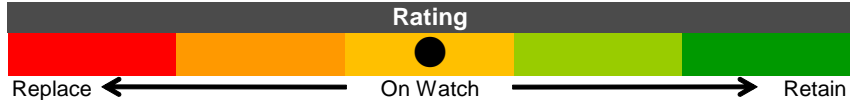
The quarter saw increased volatility in both equity and bond markets. The biggest detractors from returns were European and UK equities and government bonds. However this was partially offset by the effect of diversifying assets such as commodities and property and also by positive contributions from US and Japanese equities.

Over the period, the manager reduced the fund's equity holding in order to mitigate any further market volatility, instead favouring equity option strategies. The manager also increased exposure to sterling, with the expectation that the UK economy will continue to strengthen.

Source: [i] Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson. Gross of fees.

Newton Corporate Bond Fund

HR View Comment & Rating

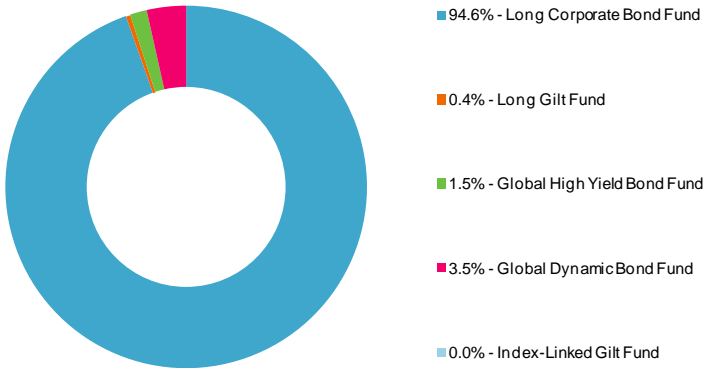


As highlighted previously to the Committee, fixed income constitutes a very small proportion of Newton's total assets under management (c. 5%) and, as a result, Newton has a very small fixed income team (10 investment professionals) relative to other managers in the market. For these reasons, we do not currently have a formal rating for the Fund's corporate bond mandate with Newton as we do not have significant client exposure and do not put them forward for new business.

We have therefore rated Newton's corporate bond mandate as '3 - On watch' for the interim period as we do consider the team as part of Newton's wider absolute return mandates. We will look to issue a formal rating in our Q3 2015 report.

The mandate in which the Fund invests allows Newton to allocate their investment into a number of Newton managed funds. At its core, the predominant investment (minimum 85%) is the Newton Long Corporate Bond Fund which can invest in sterling denominated corporate bonds, regardless of the country of issue. The fund can, and does, invest in non-UK issuers which are denominated in Sterling. Alongside this, Newton can also invest up to 15% of the portfolio in a number of Newton managed fixed income products which include the Newton Index-Linked Gilt Fund, Newton Global High Yield Bond Fund and the Newton Global Dynamic Bond Fund, which include non-GBP and non UK domiciled issuers.

Fund Holding as at 30 June 2015



24

Source: [i] DataStream, Fund Manager, Hymans Robertson. Gross of fees

Relative Quarterly and Relative Cumulative Performance [i]



Fund Commentary

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

The fund managed to outperform its benchmark by 1.4% over the quarter to 30 June 2015 but still delivered a negative return of -5.10% as government bond yields and credit spreads increased over the period. Against this market backdrop, the majority of the fund's outperformance was attributable to the manager's decision to maintain a shorter duration position than that of the benchmark, with this relative position then being reduced towards the end of the period.

Elsewhere, the fund's exposure to the high yield bond market through its allocation to the Newton Global High Yield Bond Fund detracted from performance as the European high yield bond market fell over the quarter and the US Dollar depreciating by c. 6% against sterling negatively impacted the fund's US Dollar denominated bonds.

Assessing performance over longer term periods, the fund is marginally ahead of its benchmark over 1 and 3 year periods but has only managed to match its benchmark since the implementation of the Fund's current investment strategy in December 2010. Whilst the manager expects to achieve its performance target over a rolling 5 year period, we would have hoped to have seen some outperformance over the last four and half years since inception.

Schroder Corporate Bond Fund

HR View Comment & Rating



Schroders has announced a series of key appointments within its Fixed Income Multi Sector team, responsible for managing UK, Euro and Global Aggregate, Global Sovereign as well as Absolute Return and Unconstrained strategies. Paul Grainger joins in June as Senior Portfolio Manager within the London-based team, reporting to Bob Jolly, Head of Global Macro. With more than 18 years' investment experience, he has a background in global aggregate and interest rate investing. Prior to joining, he worked for Wellington Management where he was an associate partner and fixed income portfolio manager. Mads Nielsen joins in June as Quantitative Strategist within the London-based team, reporting to Bob Jolly. With more than 15 years' quantitative analytics experience, he joins from GLG Partners where he worked on a number of their macro and total return strategies. Three hires in the US; David Gottlieb, Vincent Messina, and Whitney Tindale joined in May 1 from hedge fund Third Wave Asset Management, a firm they collectively founded in 2014. The team based in New York, will manage a specialised strategy focused on relative value opportunities primarily in U.S. rates markets and will become part of the global macro team, led by Bob Jolly. Each member of the team has over 20 years of investment management experience, including 50 years of combined hedge fund experience employing relative value rates strategies.

We retain our rating at '4 - Retain'.

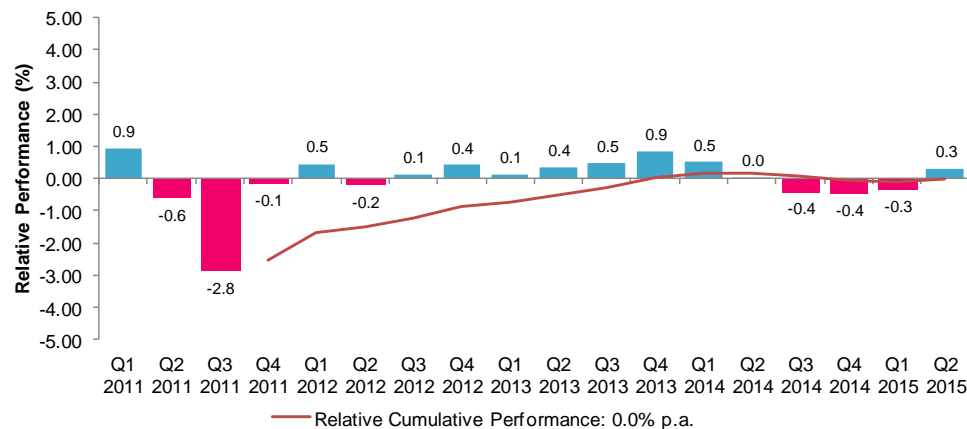
Fund Commentary

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.

Despite delivering a negative absolute return of -3.6% over the second quarter of 2015, the manager managed to outperform its benchmark by 0.3%. This was driven by the fund's underweight to the Industrials sector and Sterling Government-related debt. The manager also took the decision over the period to reduce the fund's exposure to longer-dated issues which contributed positively to performance versus the benchmark as yields steadily increased.

In terms of longer term performance, the manager has broadly managed to meet its performance target over the past 3 years but is behind since the Fund implemented its current investment strategy back 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	-3.6	5.7	7.4	7.1
Benchmark	-3.9	6.5	6.6	7.1
Relative	0.3	-0.8	0.7	-0.0

* Inception date 31 Dec 2010.

LGIM Corporate Bond Fund

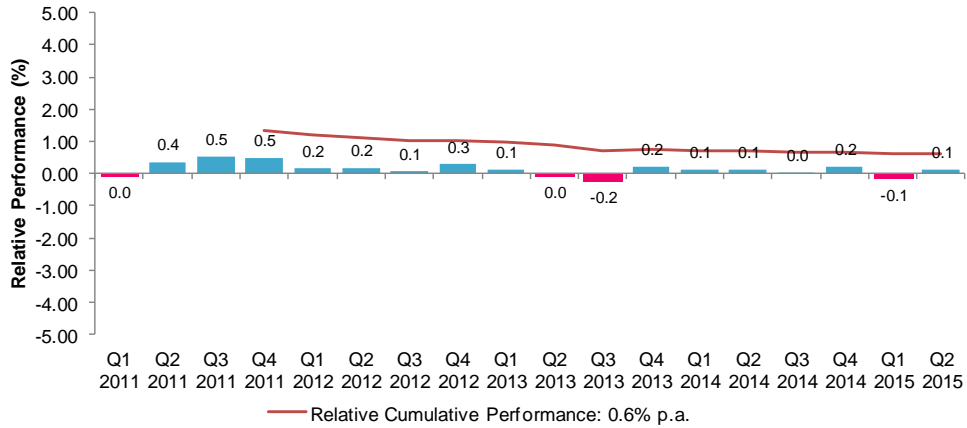
HR View Comment & Rating



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

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

Relative Quarterly and Relative Cumulative Performance [i]



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 June 2015, the fund marginally underperformed its benchmark and delivered a negative absolute return of -3.7% as bond yields in general ticked up over the quarter.

The fund has delivered marginal outperformance over longer term periods but continues to lag its performance objective since the Fund's new investment strategy was implemented in December 2010.

Performance Summary (Gross of fees) [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-3.7	6.8	7.0	7.7
Benchmark	-3.9	6.5	6.6	7.0
Relative	0.1	0.3	0.3	0.6

* 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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	<p>Local Pension Board</p> <p>9 November 2015</p>
Title	<p>Update on Admitted Bodies Organisations</p>
Report of	<p>Head of Governance</p>
Wards	<p>All</p>
Status	<p>Public</p>
Urgent	<p>No</p>
Key	<p>No</p>
Enclosures	<p>Annex A – Report to Pension Fund Committee, 22 October 2015</p> <p>Appendix 1 – Admitted Bodies Monitoring Sheet</p>
Officer Contact Details	<p>Faith Mwende, Governance Officer Faith.Mwende@barnet.gov.uk 020 8359 4917</p>

Summary

This report encloses the report on Barnet Council Pension Fund Admitted Bodies Organisations that was considered by Pension Fund Committee, 22 October 2015

Recommendations

That the Board notes and provides comment on the Barnet Council Pension Fund Admitted Bodies Organisations.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Local Pension Board is responsible for securing compliance with Local Government Pension Scheme (LGPS) Government regulations and any other legislation relating to the governance and administration of the LGPS
- 1.2 Board members are asked to note and provide comment on the content of the report that was considered at the Pension Fund Committee on 22 October 2015 (Annex A).

2. REASONS FOR RECOMMENDATIONS

- 2.1 No recommendations have been made. The Board is requested to give consideration and provide instruction if necessary.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Post decision implementation will depend on the decision taken by the Board.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Local Pension Board will support the delivery of the Council's corporate priorities as expressed through the Corporate Plan 2015-20 by assisting in maintaining 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 All costs of implementing and running the Local Pension Board will be funded from the Barnet Pension Fund 2015.

5.3 Social Value

- 5.3.1 None in the context of this report.

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 Council Constitution, Responsibility for Functions, Annex A, set out the terms of reference for the Local Pension Board, which include:

- The Board is responsible for assisting with:
 - securing compliance with Local Government Pension Scheme (LGPS) Government regulations and any other legislation relating to the governance and administration of the LGPS
 - securing compliance with the requirements imposed in relation to the PGPS by the Pensions Regulator.
 - such other matters that the LGPS regulations may specify
- To carry out any other activities relating to the efficient governance and administration of the Pension Fund.

5.5 Risk Management

5.5.1 None in the context of this report.

5.6 Equalities and Diversity

5.6.1 None in the context of this report.

5.7 Consultation and Engagement

5.7.1 None in the context of this report.

5.8 Insight

5.8.1 None in the context of this report.

6. BACKGROUND PAPERS

6.1 None in the context of this report.

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	<p>Pension Fund Committee</p> <p>22 October 2015</p>
<p style="text-align: right;">Title</p>	<p>Update on Admitted Bodies Organisations</p>
<p style="text-align: right;">Report of</p>	<p>Chief Operating Officer</p>
<p style="text-align: right;">Wards</p>	<p>N/A</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 1 – Admitted Bodies Monitoring Sheet</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Karen Scott, Service Delivery Manager, Capita Karen.scott2@capita.co.uk 07785 454929</p>

Summary
London Borough of Barnet Pension Fund – Admitted Bodies Update Report

Recommendation
That the Committee note the information in Appendix 1.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Report is to update the Pensions 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 There are no recommendations

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not Applicable

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 Not applicable

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 Under the Council's constitution, Part 15 – Responsibility for Functions, one of the Pension Fund Committee's functions is to "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 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

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

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	Data has been submitted to the actuary to calculate the current Bond requirement
London Care	3	05/03/2012	Lloyds	60K	04/03/2015		G	This Admitted Body has now ceased as contract terminated. The actuarial report confirmed all liabilities were met, this entry will be deleted from future reports
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	

Greenwich Leisure	22	31/12/2002	Zurich Insurance PLC	328K	30/09/2017		G	
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
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	Data has been submitted to the actuary to calculate the current

								Bond requirement
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	TBC	102k	31/05/2017		G	
Ridgecrest Cleaning	4	03/11/2014	TBC	14k	03/11/2017		G	
Green Sky (Claremont School)	4	19/01/2015	TBC	£23K	07/07/2017		G	This employer has submitted all accounting information required by the Insurance company to issue the Bond and the Bond should be issued very shortly
Hartwig	1	23/06/2014	TBC	£7k	7/11/2016		A	This provider is one of the two new providers for care services when the London Care contract was terminated. We were not notified until well after the event. Since notification we

								<p>have obtained the actuarial reports and issued them to Barnet Council to make the Bond arrangements. We have chased Barnet Council for progress on the set up of the Bond</p> <p>We have received contributions but they have been paid at an incorrect rate and not backdated, we are currently liaising with the employer to correct this position</p>
Allied Healthcare	4	23/06/2014	TBC	£23k	7/11/2016		A	<p>This provider is one of the two new providers for care services when the London Care contract was terminated. We were not notified until well after the event. Since notification we have obtained the actuarial reports and issued them to Barnet Council to make the Bond arrangements. We</p>

								<p>have chased Barnet Council for progress on the set up of the Bond</p> <p>We have received contributions but they have been paid at an incorrect rate and not backdated, we are currently liaising with the employer to correct this position</p>
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For information only (current activities)

London Waste Ltd Procurement - Currently working with Barnet Council to obtain actuarial reports for the London Waste partnership currently under procurement

Care Contract - The 2 Care Contracts detailed above (Allied Healthcare and Hartwig) are being re-procured and we are working with Barnet Council to obtain actuarial reports

Queenswell School Catering Contract - This contract has been awarded to Absolutely Catering (2 members) we are awaiting data from the new employer to calculate the employer contribution rate and the Bond requirement

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Pension Board
9 November 2015

Title	Pension Fund Risk Register Review
Report of	Chief Operating Officer
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pension Fund Risk Register
Officer Contact Details	Iain Millar 020 8359 7126, iain.millar@barnet.gov.uk

Summary

On the 23rd of March 2015, the General Functions Committee agreed the establishment of the Local Pension Board, the composition of the Board and the proposed terms of reference. Following a recruitment process, Full Council on 28th July 2015 approved the memberships and the detailed terms of reference. The Board had its first meeting on 29th July 2015 and agreed to review the risk register at its next meeting. An updated version of this risk register will be reviewed by Pension Fund Committee at its next meeting in January 2016.

Recommendations

To consider the Pension Fund Risk Register.

1. WHY THIS REPORT IS NEEDED

- 1.1 To identify the key risks to the achievement of the Pension Fund's objectives and to ensure they are being effectively managed.
- 1.2 Following the appointment by Full Council the Board had its first meeting on 29th July 2015 and agreed to review the risk register at its next meeting, which is attached as Appendix A.

2. REASONS FOR RECOMMENDATIONS

Under the Terms of Reference the Board is required to ensure that the Pension Fund's internal Risk Register is in place and reviewed at least annually

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1.1 The Pension Fund Risk register will be updated to reflect new and emerging risks with action plans to manage those risks.
- 4.1.2 Feedback from the Pension Board on the risk register will be relayed to the Pension Fund Committee who review the register annually.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan 2015-2020 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 None in the context of this report.

5.3 Social Value

- 5.3.1 None in the context of this report.

5.4 Legal and Constitutional References

- 5.4.1 The Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 required the Council to establish a Pension Board by 1 April 2015.

5.4.2 Council Constitution, Responsibility for Functions, Annex A, set out the terms of reference for the Local Pension Board, which include:

- Ensure the Pension Fund's internal Risk Register is in place and reviewed at least annually

5.5 Risk Management

5.5.1 The London Borough of Barnet has a Risk Management Policy and Risk Management Strategy which outlines the way in which the Council will manage its risks .A key component of this is the Corporate Risk Register which details the significant corporate risks affecting the authority. As a separate entity it is appropriate that the London Borough of Barnet Pension Fund has its own Risk Register.

5.5.2 The objectives of the risk register are to:

- identify key current risks to the achievement of the Fund's objectives
- consider the risk identified and assess the likelihood of the risk occurring and the potential impact should the risk occur.
- Assess the effectiveness of risk management controls currently in place and consider whether further action is required.

5.5.2 The Risk register will be kept under review and updated to reflect the direction of travel for each risk.

5.5.3. It is intended to report at least annually to the Pension Fund Committee with significant changes reported more regularly.

5.6 Equalities and Diversity

5.6.1 There are no Equalities and Diversity issues arising from this report.

5.7 Insight

5.7.1 None in the context of this report

5.8 Consultation and Engagement

5.8.1 None in the context of this report

6. BACKGROUND PAPERS

6.1 None.

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Appendix 1

London Borough of Barnet Pension Fund Risk Register October 2015

Risk		Current Assessment			Control Actions	Risk Status	Committee Assurance (timing)	Target assessment		
		Impact	Probability	Rating				Impact	Probability	Rating
Long-term investment strategy for the Pension Fund has low chance of delivering return required to meet fully funded objectives		Major 4	Likely 4	High 16	Review current fund specific benchmarks based on asset-liability -modelling of liabilities. Revise investment strategy through investment diversification and asset class re-allocation	Treat	Quarterly	Major 4	Unlikely 2	Medium High 8
Investment managers under perform relative to the benchmark over the medium term.		Major 4	Possible 3	Medium High 12	Quarterly investment monitoring in place to analyse market performance against the performance of the investment manager. Investment strategy under review. Review meetings held with managers if concern over performance	Treat	Quarterly	Major 4	Possible 3	Medium High 12
Fund assets fail to deliver returns in line with actuarial assumptions		Major 4	Possible 3	Medium High 12	Annual actuarial review and triennial valuation on all employers anticipate long term returns on prudent basis	Tolerate	Quarterly	Major 4	Possible 3	Medium High 12

Effect of possible increase in employer's contribution rate on service delivery and affordability for scheme employers		Major 4	Possible 3	Medium High 12	Manage impact by deficit spreading and phasing in of contributions rises. Deficit funding through monetary contributions	Tolerate	Quarterly	Major 4	Possible 3	Medium High 12
Significant reduction in funding level following triennial actuarial valuation		Major 4	Possible 3	Medium High 12	Triennial review of funding strategy statement investment strategy and actuarial assumptions following actuarial valuation to maximise funding levels in context of affordability to the Council and other scheme employers.	Tolerate	Actuarial valuation in March 2016	Major 4	Possible 3	Medium High 12
Rebalancing of portfolios to approved asset allocations delayed due to market volatility		Major 4	Possible 3	Medium High 12	Scheduled timetable for sale and transfer of assets to ensure transition completed in agreed timeframe	Treat	Quarterly	Major 4	Possible 3	12
Strength of covenant of new employers /risk of financial loss to Pension Fund		Major 4	Unlikely 2	Medium High 12	Ensure Bond arrangements maintained and renewed. Pension Fund Committee monitors Admission agreements bond renewals	Treat	Quarterly	Major 4	Unlikely 2	Medium High 12

	<p>Local Pension Board 9 November 2015</p>
<p>Title</p>	<p>Local Pension Board Work Programme</p>
<p>Report of</p>	<p>Head of Governance</p>
<p>Wards</p>	<p>Not Applicable</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Committee Work Programme November 2015- May 2016</p>
<p>Officer Contact Details</p>	<p>Faith Mwende: faith.mwende@barnet.gov.uk 020 8359 4917</p>

<p>Summary</p>
<p>The Committee is requested to consider and comment on the items included in the 2015-16 work programme</p>

<p>Recommendations</p>
<p>1. That the Committee consider and comment on the items included in the 2015-16 work programme</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 The Local Pension Board 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 as stated in the Corporate Plan 2015-20.

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 Council Constitution, Responsibility for Functions, Annex A, will be amended to incorporate the detailed terms of reference of the Local Pension Board. These will be considered and agreed by Council on 28 July 2015.

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
Local Pensions Board Forward
Work Plan - 2015-16**

Contact: Faith Mwendé faith.mwende@barnet.gov.uk 02083594917

Subject	Decision requested	Report Of	Contributing Officer(s)
9 November 2015			
Admitted Bodies Report	London Borough of Barnet Pension Fund - Admitted Bodies update report	Chief Operating Officer (Director of Finance / Section 151 Officer)	
Barnet Council Pension Fund Performance - Quarterly report	This report encloses the report on Barnet Council Pension Fund Performance for the previous Quarter	Head of Governance	
Pensions Fund Committee Risk Register	To undertake an annual review of the Pension Fund Committee Risk Register	Head of Governance	
Meeting date TBC			
Barnet Council Pension Fund Performance - Quarterly report	This report encloses the report on Barnet Council Pension Fund Performance for the previous Quarter	Head of Governance	

Subject	Decision requested	Report Of	Contributing Officer(s)
Admitted Bodies Report	London Borough of Barnet Pension Fund - Admitted Bodies update report	Chief Operating Officer (Director of Finance / Section 151 Officer)	
Board Knowledge, Understanding and Training	The report sets out the results of the skills assessment and outlines the proposed training plan for Board Members	Head of Governance	
Draft Annual Report to Pension Fund and Full Council	<p>The annual report set out:</p> <ul style="list-style-type: none"> • a summary of the work undertaken; • the work plan for the next 12 months; • details of training received and planned; and • details of any conflicts of interest and how they were dealt with. 	Head of Governance	

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