

MEETING**PENSION FUND COMMITTEE****DATE AND TIME****TUESDAY 19TH JULY, 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

Rohit Grover	Andreas Ioannidis	Peter Zinkin
Arjun Mittra	Jim Tierney	

Substitute Members

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

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10am on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Thursday 14 July at 10am. Requests must be submitted to Salar Rida (salar.rida@barnet.gov.uk 020 8359 7113).

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

Andrew Charlwood – Head of Governance

Governance Services contact: Salar Rida, 020 8359 7113
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.	Barnet Council Pension Fund Performance for Quarter January to March 2016	5 - 28
8.	Update on Admitted Body Organisations	29 - 38
9.	London Collective Investment Vehicle Update and Response to Local Government Pension Scheme Reform Consultation	39 - 44
10.	Pension Fund Annual Report and External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2015/16	To Follow
11.	Forward Work Programme	45 - 50
12.	Any item(s) that the Chairman decides is urgent	

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Decisions of the Pension Fund Committee

15 March 2016

AGENDA ITEM 1

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

* Jim Tierney
* Peter Zinkin

* Arjun Mittra
* Hugh Rayner

* denotes Member Present

1. MINUTES (Agenda Item 1):

RESOLVED – That the Pensions Fund Committee agreed to amend section three of the minutes from the meeting that took place on 03 February 2016 meeting which added a declaration of interest in the name of Councillor John Marshal.

Having agreed the amendment to the minutes of the meeting held on 03 February 2016 the Pensions Fund Committee approved the minutes as amended.

2. ABSENCE OF MEMBERS (Agenda Item 2):

None

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

Member	Agenda Item	Interest declared
Councillor Arjun Mittra	All Items	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 that he may 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.
Councillor Peter Zinkin		Non Disclosable Pecuniary Interest by virtue of having shareholdings in a number of companies that the fund had investments in.

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

There were none.

5. PUBLIC QUESTION AND COMMENTS (IF ANY) (Agenda Item 5):

There were none.

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

7. BARNET COUNCIL PENSION FUND PERFORMANCE FOR QUARTER OCTOBER TO DECEMBER 2015 (Agenda Item 7):

The Pensions Fund Committee's independent Investment Advisor, Andrew Elliott introduced the report and summarised the Pensions Fund Performance for Quarter between October to December 2015. The Committee noted the addendum to the report which contained appendix C which had been marked to follow. Having considered the item the committee:

Resolved that

- That the Pension Fund Committee noted the report
- The Pension Fund Committee noted that pages 6&7 required to be amended as these pages contained an error.
- The Pension Fund Committee noted that the corrected report would be published following the meeting.

8. PENSION FUND EXTERNAL AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2016 (Agenda Item 8):

The Pensions Fund Committee's received a presentation from the Pension Fund's external auditor BDO. Leigh Lloyd -Thomas, a Partner at BDO introduced the report. He set out the audit plan for external audit activities for 2015/16 which will be presented to next Pension Fund Committee, following the completion of the external audit.

Resolved

That the committee noted the report

9. UPDATE REPORT LONDON COLLECTIVE INVESTMENT VEHICLE (Agenda Item 9):

The Chairman introduced the report and noted that the London Borough of Barnet are members of the Local Government Pensions Scheme Collective Investment Vehicle (London CIV). The Pensions Fund Committee's independent Investment Advisor, Andrew Elliott noted that further governance arrangements are to be put into place.

Resolved

That the committee noted the report

10. UPDATE ON ADMITTED BODY ORGANISATIONS (Agenda Item 10):

The Chairman introduced the report and noted that there are small bodies which are not able to receive a bond. He added that it was possible for the London Borough of Barnet to write a bond for such companies.

The Head of Treasury, Iain Millar noted that the London Borough of Barnet is able to accept an Admitted Body without issuing a bond. Councillor Zinkin noted that there must be a monitoring system in place to identify if a bond is not made.

Resolved

That the Committee noted the report and the admitted body organisations as detailed in Appendix 1.

11. PENSION FUND COMMITTEE - WORK PROGRAMME (Agenda Item 11):

The Committee noted that the next meeting is due to take place on 19 July 2016.

Resolved

That the work programme be noted.

12. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 12):

There were no urgent items.

14. REVIEW OF PENSION FUND INVESTMENT STRATEGY (EXEMPT*) (Agenda Item 14):

The Chairman exercised the ability exclude any Members of the Press or Public due to the exempt nature of the report. He introduced the report and noted the fund managers contained in the report. The Committee discussed and noted support for the Council's Pension Fund to be further diversified.

The Chairman outlined that the Pensions Fund Committee were able to consider how to invest 15% of the Fund and required the Committee to consider this in context to the report.

Having considered the report the Committee Resolved that:

- The Pensions Fund Committee noted the findings set out in the Officers report
- The Pensions Fund Committee noted the training session which took place on 17 February 2016
- The Pensions Fund Committee noted the contents of the report and therefore considered that the proposals of allocation of additional funds to multi-asset credit the committee agreed the following:
 - 8% to be invested in liquid best strategies and therefore agreed:
 - 4% - Partnership Group
 - 4% - Alcentra
 - 7% to be invested to in multi asset credit strategies
 - 3.5% - Babson Capital
 - 3.5% - Alcentra
- The Pensions Fund Committee proved instruction to the Chief Operating Officer to implement the above resolutions.

Votes recorded

For 5

Against 0

Abstained – 1

* N.B – Following this meeting Officers determined that because the information within this item became public there be no need to exempt the minutes of this meeting. This decision was taken in consultation with the Chairman and Members of the Committee. Therefore this document in full is published on the Council's website.

15. ANY OTHER EXEMPT ITEM(S) THAT THE CHAIRMAN DECIDES ARE URGENT (Agenda Item 15):

There were no urgent items.

The meeting finished at 21:20

	<h2>Pension Fund Committee</h2> <h3>19 July 2016</h3>
<p style="text-align: right;">Title</p>	<p>Barnet Council Pension Fund Performance for Quarter January to March 2016</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 A – Pension Fund Market Value of Investments as at 31 March 2016 Appendix B – Hymans Robinson Performance Report to 31 March 2016 Appendix C – WM Local Authority Universe Comparison to 31 March 2016</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Iain Millar, Head of Treasury Services 0208 359 7126</p>

<h3>Summary</h3>
<p>This report summarises Pension Fund investment manager performance for the January to March quarter 2016 based on the performance monitoring report provided by Hymans Robertson. An update on fund performance to 30th June 2016 will be tabled at the Committee meeting</p>

<h3>Recommendations</h3>
<p>1. That having considered the performance of the Pension Fund for the quarter to 31 March 2016, the Committee instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.</p>

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 the Committee to review and challenge the Fund Managers' quarterly investment performance against benchmarks and targets.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 The Chief 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 The Pension Fund 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 global diversification of the portfolio gives some protection against the extreme market volatility experienced in June 2016. The Scheme benchmark is a liability driven benchmark and is dependent on the movement in gilt yields
- 5.2.2 On 22 October 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 fund the asset re-allocation by reducing the weighted

allocation in diversified growth funds and corporate bonds .This included selling the Newton Corporate Bond fund to re-invest in the Schroder Strategic Bond Fund

- 5.2.3 On 15 March 2016, the Pension Fund Committee considered proposals for allocating funds to illiquid credit and multi asset liquid credit. The Committee resolved to make an allocation of 8% of the fund to illiquid credit strategies through investing with new fund managers, 4% to Partnership Group and 4% to Alcentra. The Committee also agreed an allocation of 7% to multi-asset credit strategies through investing 3.5% with Babson Capital and 3.5% with Alcentra. Officers were instructed to implement the re-allocation. See Appendix D for re-allocation as at 10 June 2016. All of the May funding target dates with the new credit managers were met. The asset re-allocation was met from the sale of Corporate Bonds.
- 5.2.4 The total value of the pension fund’s investments including internally managed cash was £907.3 million as at 31 March 2016 compared to £882.6 million as at 31 December 2015. The total market value of externally managed investments rose by £18.9 million over the quarter from £882.0 million to £900.9 million. The graph in Appendix A shows how the market value of the fund has grown since 2008. The total value of the fund’s external investments as at 31 May was £912.9 million. There has been significant market volatility in recent weeks and the total market value of the fund as at 30 June 2016 was £xxx. million. TBC.
- 5.2.6 **Performance Summary:** Over the quarter, at a total scheme level, the Fund’s externally managed investments returned 2.3% (net of fees), underperforming the combined benchmark for the period by 0.4%. See performance summary page 8, of the attached Hymans Robertson draft performance for Quarter 1, 2016.

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 Constitution- Under Part 15, Annex A Responsibility for Functions one of the terms of reference of the Pension Fund Committee is ‘To review and challenge at least quarterly the Pension Fund investment managers’ performance against the Statement of Investment Principles 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 Brexit crisis in the UK. 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 the 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

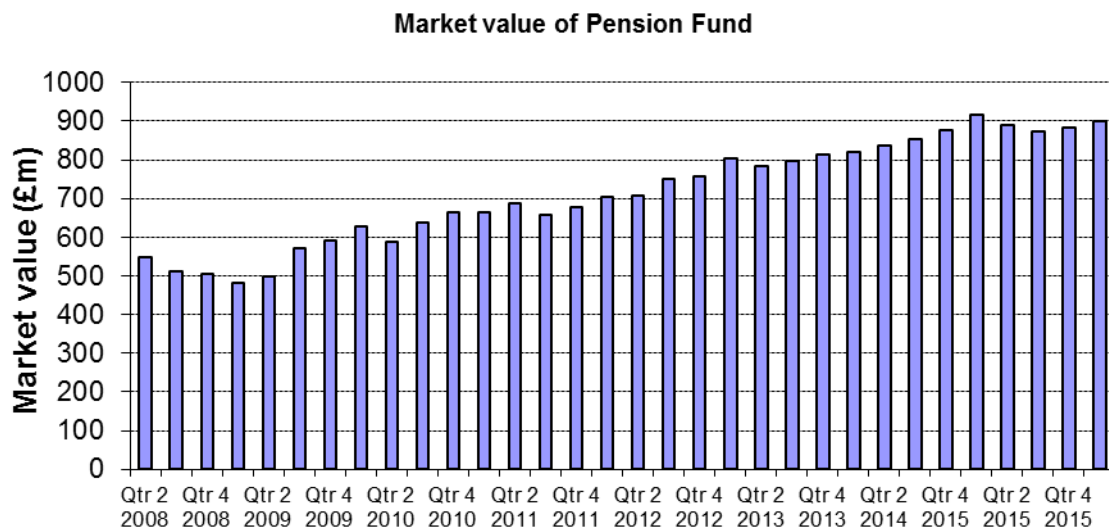
5.8 Insight

- 5.8.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 None

Appendix A – Pension Fund Market Value of Investments as at 31 March 2016.



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London Borough of Barnet Pension Fund

Review of Investment Managers' Performance for the First Quarter of 2016



Prepared By:

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

For and on behalf of Hymans Robertson LLP
June 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

Although global equity market returns were broadly flat for the first quarter of the year (in local currency terms), this does not tell the full story. The period saw significant volatility with markets dropping by approximately 12% in the opening weeks, driven in part by China's continued economic slowdown which weighed on the country's domestic markets, heightening the fears of a global recession. Strong US jobs data and a stabilisation in commodity prices led to a sharp improvement in sentiment mid-February and a recovery in equity prices for the rest of the quarter, with the FTSE All World index ending the quarter down just 1.3%.

Emerging markets saw a reversal of fortune from last quarter and led the recovery of worldwide equity markets from mid-February. Following a lengthy period of weak performance, the recovery in raw material prices led to strong performance for commodity-centric countries such as Brazil, Russia and South Africa.

Valuation and Performance Summary

Fund assets totalled c. £901m at the end of Q1 2016, an increase of c. £19m from the start of the quarter.

The Fund's assets returned 2.3% (net of fees) over the quarter, underperforming the combined benchmark for the period by 0.4%.

As part of the on-going move to the Fund's new long term investment strategy, new allocations were made to several LGIM passive equity funds, as well as to Schroder's ISF Strategic Bond fund, both in Q4 2015 and during Q1 2016. Over Q1 a further £180m was transferred from DGF to equities and £30m transferred from corporate bonds to multi-credit. All mandates, other than Newton's Real Return fund, posted modest to significant underperformance relative to their performance targets.

Over the 5 year period to 31 December 2015, the Fund has returned 5.0% 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, which we saw for a large part of 2015 and the opening weeks of 2016.

Manager Ratings Summary

Manager	Fund Name	Rating				
Legal & General	Equity index funds	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	ISF Strategic Bond 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

Over the last six months the Fund has been transitioning to a new long term investment strategy, with the first stage completed over the first quarter of 2016. Since additional changes to the Fund's current investment strategy are still required, we would not suggest any rebalancing is considered since the Fund's target asset allocation is naturally changing during this period.

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

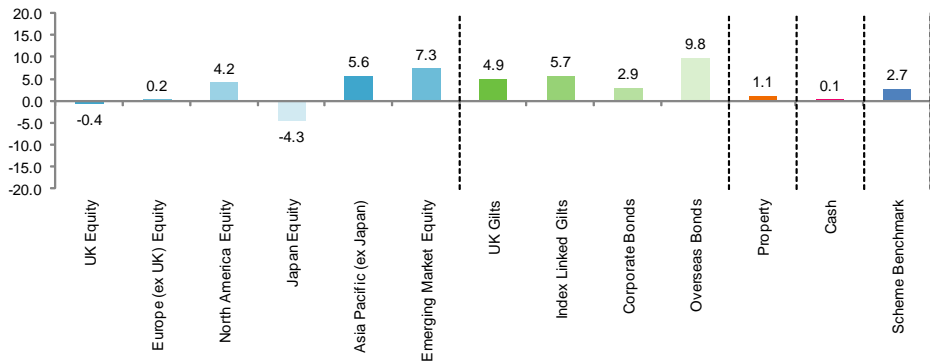
All of the Fund's investment managers are currently rated either a '4 – Retain' or '5 – Preferred strategy'. There were no significant changes over the quarter to warrant any changes in rating.



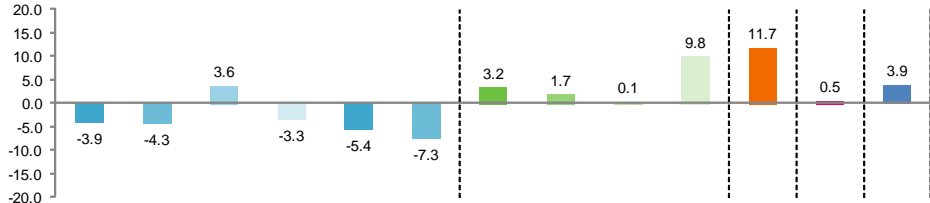
Historic Returns for World Markets to 31/03/2016

Historic Returns ^[1] [i]

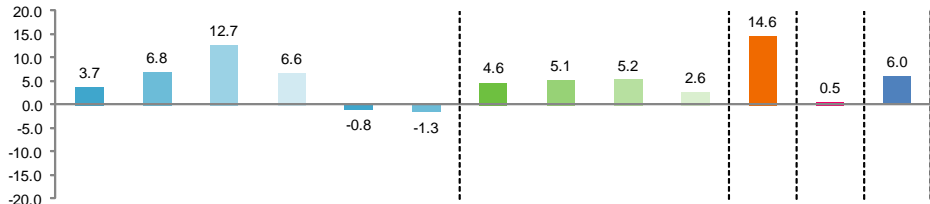
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Market Comment

It was a turbulent first six weeks for equity and credit markets. The FTSE All World index plummeted by over 12%, before rebounding impressively to finish the quarter down 1.3%. As a result of continued weakness in sterling, returns to unhedged UK investors were around 4.3% higher. The defensive qualities of government bonds were in demand and they delivered positive returns over the period.

Investors' nervous start to 2016 reflected various global economic concerns such as the slowdown in China and the US, along with the continuing oil price collapse. This anxiety abated as the quarter wore on, with sentiment buoyed in part by some signs of stabilisation in China.

Once again, central bank action helped to calm nerves. The European Central Bank ('ECB') cut its overnight deposit rate from -0.3% p.a. to -0.4% p.a. The Bank of Japan surprised markets by following the ECB in cutting interest rates below zero. Despite further strength in the US labour market, the Federal Reserve left interest rates unchanged, citing risks posed by weaker global growth and financial market turmoil. Latest forecasts have been more cautious than before, suggesting that rates may rise by only 0.5% p.a. in 2016. In the UK, the latest Inflation Report from the Bank of England suggested a slower return to the 2% p.a. inflation target, further bolstering market conviction that UK interest rates will not be rising in the foreseeable future.

Key events during the quarter included:

Global Economy

- Japan followed Europe by cutting interest rates below zero; in the UK and US, rates were unchanged.
- The UK's current account deficit reached a post-war high, widening to 7% of GDP in Q4 2015.
- Brent crude fell to a 12-year low of \$28 per barrel before rebounding to just under \$40 at quarter end.
- The Bank of England expects headline CPI inflation to stay below 1% p.a. throughout this year.
- China's PMI manufacturing index rose to above 50 in March, for the first time since July 2015.

Equities

- The strongest sectors relative to the FTSE All World Index were Utilities (+8.8%) and Telecommunications (+6.7%); the weakest were Health Care (-6.5%) and Financials (-5.3%).
- Emerging Markets outperformed their developed counterparts, reversing a little of the 30% underperformance of the last three years.

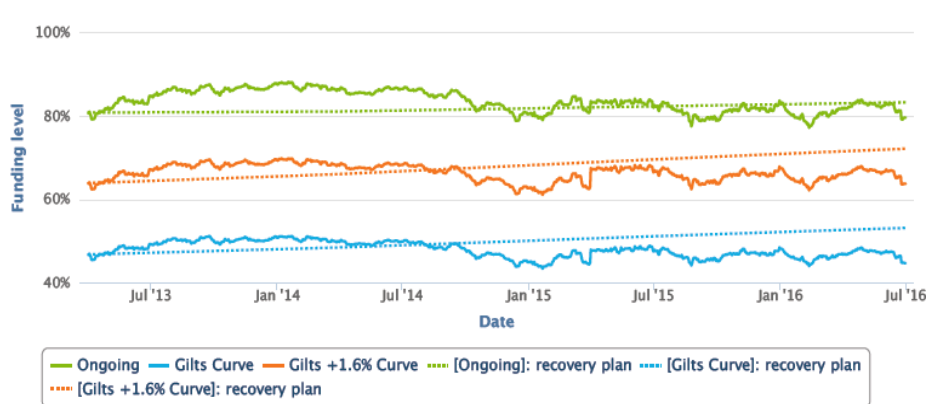
Bonds and currencies

- Sterling weakened against the euro, US dollar and yen.
- UK gilt yields fell (prices rose), with nominal yields falling further than real yields.

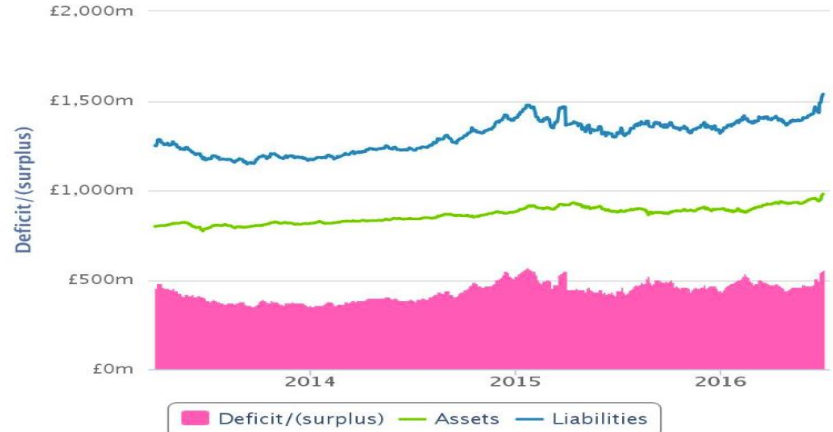
[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: Equities – FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite; Bonds – FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts 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's previous actuary, Barnett Waddingham. 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 increased from c. 64% to c. 66% as at 31 March 2016.

As at 31 March 2016, we estimate that the Fund's deficit on a gilts + 1.6% p.a. basis is around £479m, a decrease of c. £27m since 31 March 2013.

Since the end of March 2016, we estimate the Fund's funding level (on a gilts + 1.6% p.a. basis) has fallen to c. 64% as at 30 June 2016.

Please note that the Fund's funding position estimated here will differ from that calculated by the previous 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)

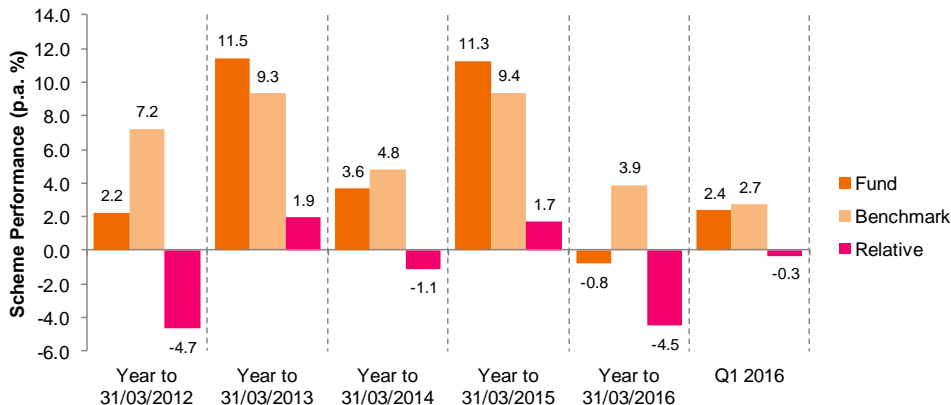


Fund Summary

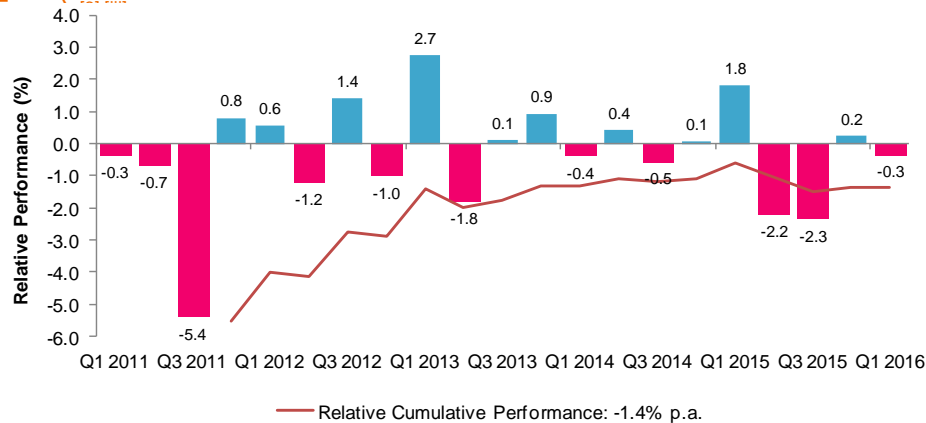
Valuation Summary ^{[1] [i]}

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q4 2015	Q1 2016			
Global Equity	150.6	342.4	38.0	36.0	2.0
Absolute Return Funds	440.5	261.2	29.0	31.0	-2.0
Multi-Credit	60.0	89.5	9.9	10.0	-0.1
Corporate Bonds	230.9	207.7	23.1	23.0	0.1
Total Client	882.0	900.9	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 Global Equity	Passive	FTSE World 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	
Schroder ISF Strategic Bond Fund	Active	3 month £ LIBOR + 2% p.a.	52	

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

Key:- - Replace - On-Watch - Retain

Manager Valuations ^[1] [i]

Manager	Value (£m)			Actual Proportion %	Target Proportion %	Difference %
	Q4 2015	Net Investment	Q1 2016			
LGIM Global Equity	150.6	+180.0	342.4	38.0	36.0	2.0
Newton Real Return Fund	216.9	-90.0	130.4	14.5	15.5	-1.0
Schroder Life Diversified Growth Fund	223.5	-90.0	130.8	14.5	15.5	-1.0
LGIM Active Corporate Bond All Stocks Fund	19.4	-	20.0	2.2	2.0	0.2
Newton Corporate Bond Fund	82.5	-30.0	54.9	6.1	6.0	0.1
Schroder All Maturities Corporate Bond Fund	129.0	-	132.8	14.7	15.0	-0.3
Schroder ISF Strategic Bond Fund	60.0	+30.0	89.5	9.9	10.0	-0.1
Total	882.0	-	900.9	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 Global Equity	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	Schroder ISF Strategic Bond Fund	Total Fund
3 Months (%)	Absolute	0.8	3.9	-0.9	3.1	4.2	2.9	-0.9	2.3
	Benchmark	0.9	1.1	1.5	3.2	4.2	3.0	0.6	2.7
	Relative		2.8						
		0.0		-2.3	-0.1	-0.1	-0.1	-1.5	-0.4
12 Months (%)	Absolute	-4.6	1.1	-4.8	0.5	0.2	0.3	N/A	-1.2
	Benchmark	-4.5	4.6	6.5	0.5	-0.7	0.5	N/A	3.9
	Relative				0.0	0.9		N/A	
		-0.1	-3.3	-10.7			-0.1		-4.9
3 Years (% p.a.)	Absolute	7.1	2.8	3.3	4.9	6.0	5.2	N/A	4.2
	Benchmark	7.2	4.5	6.7	4.9	6.3	5.0	N/A	6.0
	Relative				0.0		0.2	N/A	
		-0.1	-1.6	-3.2		-0.2			-1.7
Since Inception (% p.a.)	Absolute	7.7	3.5	3.4	7.3	8.7	6.7	-1.1	5.0
	Benchmark	7.8	4.6	7.4	6.9	8.9	7.0	0.9	6.9
	Relative				0.4				
		-0.1	-1.0	-3.7		-0.2	-0.2	-2.0	-1.8



LGIM Global Equity

HR View Comment & Rating



We rate Legal and General Investment Management's market cap and fundamental index-tracking equity capability at '5 – Preferred strategy'.

In February LGIM announced that Simon Thompson, Chief Operating Officer ('COO') with responsibility for Investment Operations, Trading and IT functions, was leaving the firm to take a sabbatical from corporate life and focus on his family and other interests. Robert Moore, Chief Executive Officer of LGIM America and who has previous COO experience, will take on Thompson's role in addition to his own existing responsibilities. This does seem a potential stretch for Moore but at this stage we see no reason to expect a diminution in LGIM's index tracking capability.

Fund Commentary

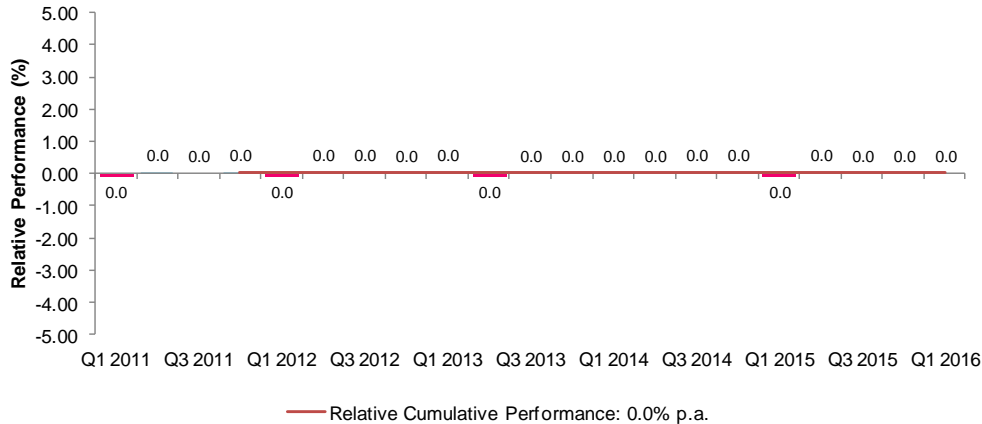
As part of the agreed move to the Fund's new long term investment strategy, the transfer of assets from the Fund's absolute return funds to global equity was completed over Q1 2016, with an additional £180m invested in LGIM's equity funds.

Long term performance shown has been retained to include the performance of the World (ex UK) Equity Index fund since 31 December 2010.

LGIM's global equity mandate has been set up to broadly hedge 50% of its overseas currency exposure.

The opening quarter of 2016 saw a significant fall in global equity markets before recovering later in the quarter. The fund returned 0.9% over the quarter, matching its benchmark, as expected of a passive manager.

Relative Quarterly and Relative Cumulative Performance [i]



Performance Summary (Gross of fees) [1] [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	0.9	-4.5	7.2	7.9
Benchmark	0.9	-4.5	7.2	7.8
Relative	0.0	0.0	0.0	0.0

* Inception date 31 Dec 2010.

[1] Long term performance returns includes performance of World (ex UK) Equity Index Fund to 8 October 2015. 3 month return includes performance of World (ex UK) Dev Equity fund from 23 October 2015, performance of UK equity fund and World EM Equity fund from 15 October 2015 and performance of RAFI AW 3000 Equity fund from 8 October 2015.

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

Newton Real Return Fund

HR View Comment & Rating

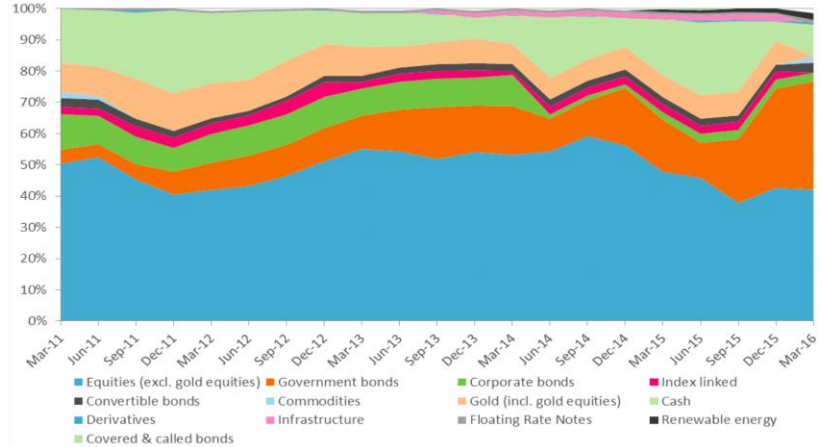


The Real Return Fund is an unconstrained multi-asset strategy that seeks to generate a return through both dynamic asset allocation and security specific selection.

In Q1 our research team met with Suzanne Hutchins, one of the senior investment managers in the team and now the lead alternate manager for the strategy following the departure of James Harries. This meeting provided reassurance on the manager’s approach to decision making and Hutchins reaffirmed that Iain Stewart (lead PM) does not have the ultimate decision for the strategy. Hutchins confirmed that while Stewart provides macro leadership, she is now responsible for chairing the strategy meetings. The team’s approach to building the portfolio is very bottom up and draws on ideas across the team as well as the wider firm. The meeting with Hutchins provided reassurance both in terms of experience and contribution to the team.

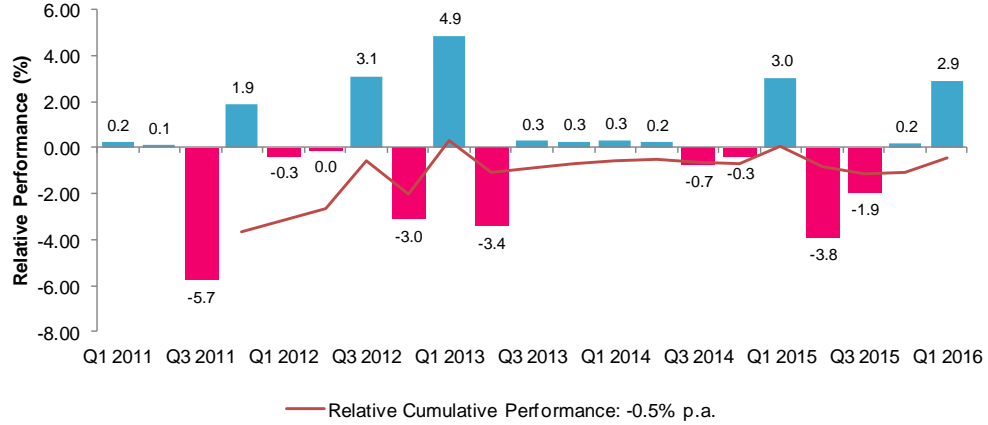
Whilst we still view Stewart as a key decision maker for the Real Return strategy, the fact that there is a ‘Newton’ approach to investing, which is demonstrated throughout the investment process and by all members of the team, gives us confidence that reliance on Stewart is lessening. We continue to rate Newton at ‘5 - Preferred strategy’.

Change in asset allocation over time



20
Source: [i] Fund Manager, [ii] DataStream, Fund Manager, Hymans Robertson

Relative Quarterly and Relative Cumulative Performance



Fund Commentary

The fund was up 3.9% (net of fees) over the quarter resulting in a return of 1.1% (net of fees) over the past 12 months. Despite comfortably outperforming its performance target of LIBOR + 4% over the final quarter, the fund continues to lag over long term periods.

The key contributors to performance were the fund’s exposures to equities and government bonds, which generated 5.3% and 7.5% over Q1 respectively. Over Q1, as the broader global equity market generated negative returns, the equity portfolio’s strong outperformance was driven by stock selection in the media, tobacco and utilities sectors. The fund’s direct equity protection generated a contribution of 2%, which offset the fund’s losses as equities experienced their sharpest declines over the first six weeks of the year. The fund’s gold, infrastructure and convertible bonds holdings helped dampen the wider volatility that was experienced over the quarter. Exposure to gold and precious metal mining equities has contributed 2.4% over the last 12 months as demand increased in a persistently low interest rate environment.

Over the quarter, the overall allocation has remained broadly unchanged, though the team have de-risked the asset allocation slightly by reducing the fund’s gross return-seeking assets exposure to 52%. After allowing for the equity protection strategies the fund has in place, however, the fund’s net exposure to return-seeking assets is closer to 27%. Following the strong performance of US Treasuries, the team also tactically purchased US long bond future put options over Q1, which delivered a strong return in the first two months of 2016. The team expect this strategy to provide protection against further volatility in the market. Although Brexit concerns continued to steer sterling depreciation over Q1 and the team are aware of this risk, sterling exposure remains close to 85% of the fund.

Schroder Diversified Growth Fund

HR View Comment & Rating

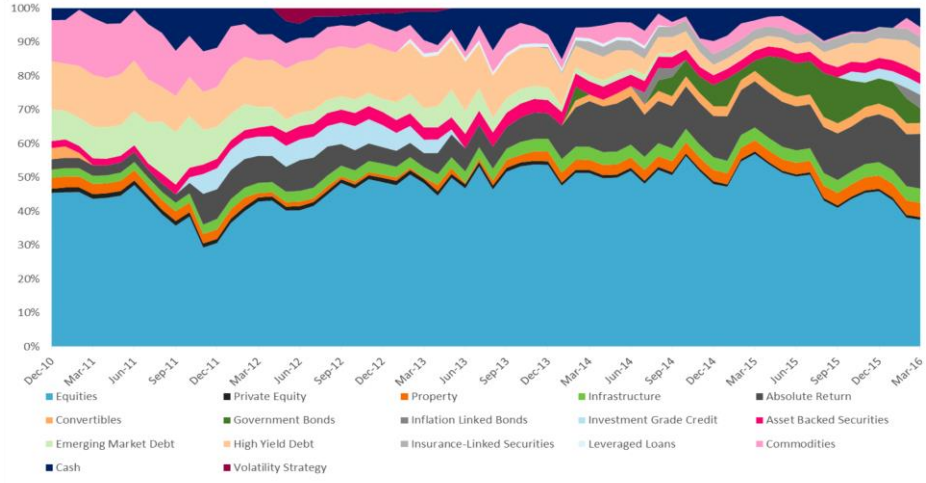


We rate Schroder's Diversified Growth fund ('DGF') at '4 - Retain'.

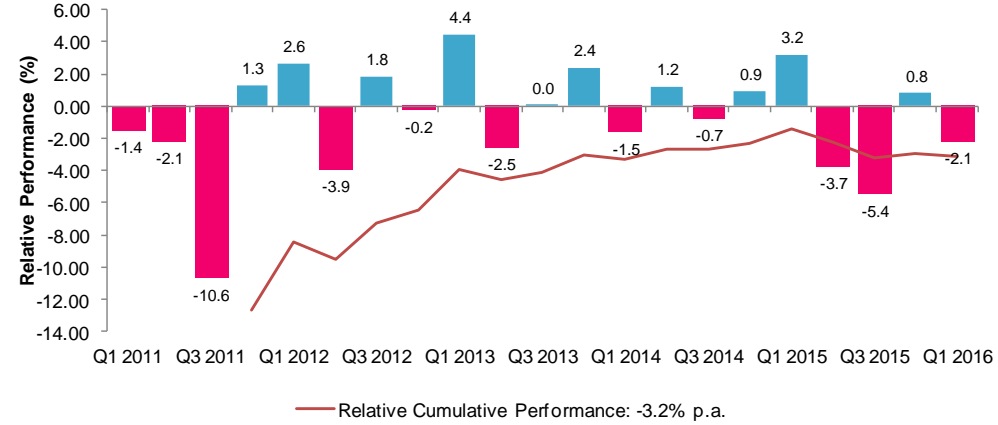
As a large, long-established multi-asset manager, Schroder is well placed to manage a mandate of this type. The Diversified Growth Fund (DGF) was one of the first of its kind to gain traction in the institutional market, albeit largely amongst small pension funds. The product has a dual objective – ongoing 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.

There were no significant changes over the first quarter of 2016.

Change in asset allocation over time [i]



Relative Quarterly and Relative Cumulative Performance [ii]



Fund Commentary

Over the first quarter of 2016 the Schroder DGF fund underperformed its RPI + 5% p.a. target by 2.1% as global equities continued to experience high levels of volatility throughout the quarter.

The fund's large equity exposure was the largest detractor over the period, offset slightly by decent gains within the bond portfolio as investors sought 'safe-haven' assets.

Having commented last quarter that the manager was now seeing some attractive entry points within emerging market currencies, the decision was taken at the beginning of Q4 to initiate positions in the Brazilian real, Mexican peso and Indian rupee. This decision was rewarded as the Brazilian real appreciated 10.3% relative to the US dollar on the back of increased expectations for political change. The manager continues to hold short positions in Asian currencies suffering from weakness in China.

Last quarter the manager predicted that the efficacy of central bank action would deteriorate over the course of 2016. This stance was confirmed correct in the early part of the quarter as the Bank of Japan's move to negative interest rates failed to boost the Japanese equity market. In preparation of this becoming the prevailing investment environment, the manager is starting to look, albeit cautiously, towards more cyclically exposed value opportunities and continues to hold a lower proportion of the portfolio in equities relative to recent years.

Schroder ISF Strategic Bond Fund

HR View Comment & Rating



Up until the end of 2015, Bob Jolly and Gareth Isaac had joint responsibility for managing the ISF Strategic Bond Fund. Over the quarter Schroder made some adjustments to its Global Multi-Sector team to facilitate the evolution of its investment process which has resulted in Jolly taking on an enhanced role of Head of Global Macro Strategy.

Current portfolio management responsibilities have been realigned to reflect the addition of the expanded strategy function. Bob will gradually hand over his day to day fund management responsibilities to the fund management team headed up by senior portfolio managers Gareth Isaac and Paul Grainger. Jolly will continue to be a central member of the team and will be involved in the investment decision-making integrating strategy analysis within the process.

We continue to rate Schroder's ISF Strategic Bond fund at '4 - Retain'

Performance Summary (Gross of fees) ^[1]

	3 Months (%)	Since Inception* (% p.a.)
Fund	-0.8	-1.0
Benchmark	0.6	0.9
Relative	-1.4	-1.9

* Inception date 30 Nov 2015.

Fund Commentary

The fund has a stated performance target of LIBOR + 4% p.a. over a market cycle which is typically c. 5 years. We view this performance target as ambitious given the type of strategy being employed. For the purposes of our reporting, we have therefore chosen to measure the fund against a benchmark of LIBOR + 2% p.a., at least over the shorter term, as we believe this level of outperformance to be a more realistic target for the fund to achieve.

Over Q1 2016 the fund underperformed its performance target of LIBOR + 2% p.a. by 1.4%, delivering an absolute return of -0.8%. The fund's riskier credit positions suffered as a result of the market sell-off during the first two months of the quarter with some of these losses then recouped during the month of March. The fall in government bond yields across the UK, Europe and the US proved detrimental for the fund given its duration neutral stance.

The fund's largest contributor to performance over the quarter was an oil-proxy currency trade; this was in the form of a short Euro position versus the Norwegian Krona. This position has been retained into Q2 with the manager also initiating a tactical long GBP position which added to performance at the end of Q1 as Sterling appreciated.

Performance since inception on 30 November 2015, has been disappointing although the manager believes this is because a lot of assets are being driven by market sentiment rather than economic fundamentals. Given the near-term volatility, particularly ahead of the Brexit decision, the manager is focused on shorter term relative value opportunities currently rather than longer term directional trades.

Newton Corporate Bond Fund

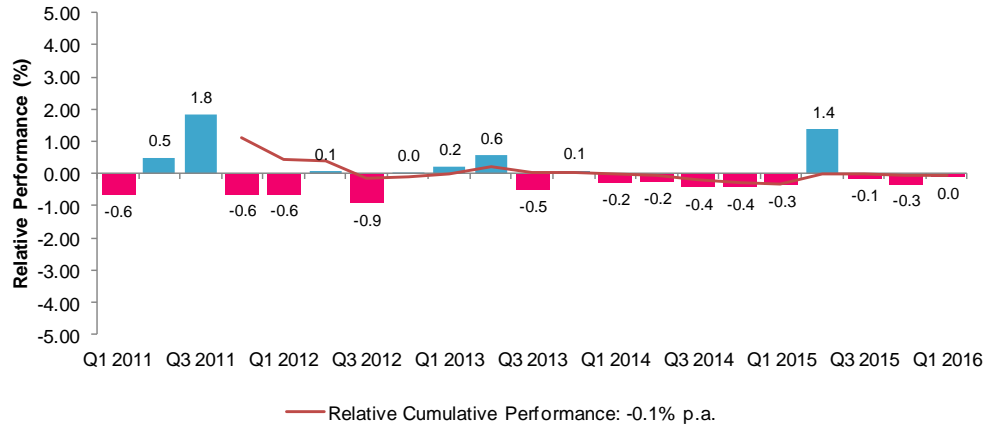
HR View Comment & Rating



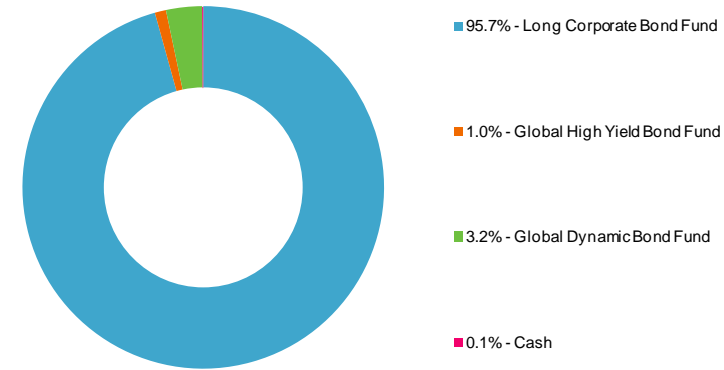
We rate Newton's fixed income capabilities at '4 - Retain'.

There was no significant business news to report over Q1 2016.

Relative Quarterly and Relative Cumulative Performance



Fund Holding as at 31 March 2016



Fund Commentary

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

Over the quarter to end March 2016, the fund delivered a positive absolute return of 4.2%, broadly in line with its benchmark. Over the last 5 years, the fund has delivered solid absolute performance but only just in line with benchmark. It is therefore disappointing that the manager has not managed to achieve any outperformance over this longer term period.

Newton's Long Corporate bond fund (which makes up c. 96%) of the Fund's allocation marginally outperformed over the quarter. As riskier assets fell, the fund's cautious stance towards higher yielding areas of the corporate bond market was rewarded during the first two months before giving up some of the gains during March as risk assets recovered. The fund's shorter duration stance also detracted over the period as yields fell.

The portfolio's small allocation to Newton's Global Dynamic Bond fund was a positive contributor to performance, outperforming its respective index by 0.9% over the quarter.

Schroder Corporate Bond Fund

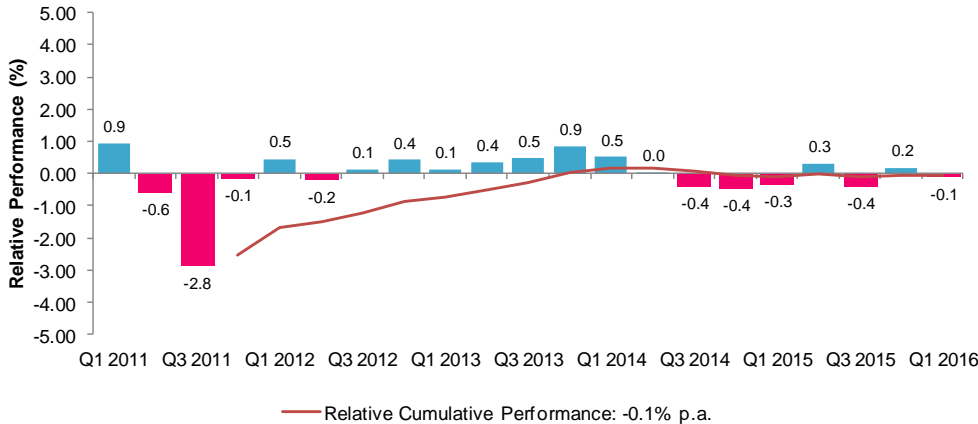
HR View Comment & Rating



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

There was no significant business news to report over Q1 2016.

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 2.9% over the first quarter of 2016, marginally underperforming its benchmark by 0.1%. Disappointingly, the fund has marginally underperformed its benchmark since inception and is struggling to generate any additional value above the index return over the longer term.

Performance Summary (Gross of fees) [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	2.9	0.5	5.4	6.9
Benchmark	3.0	0.5	5.0	7.0
Relative	-0.1	0.1	0.4	-0.1

* Inception date 31 Dec 2010.

LGIM Corporate Bond Fund

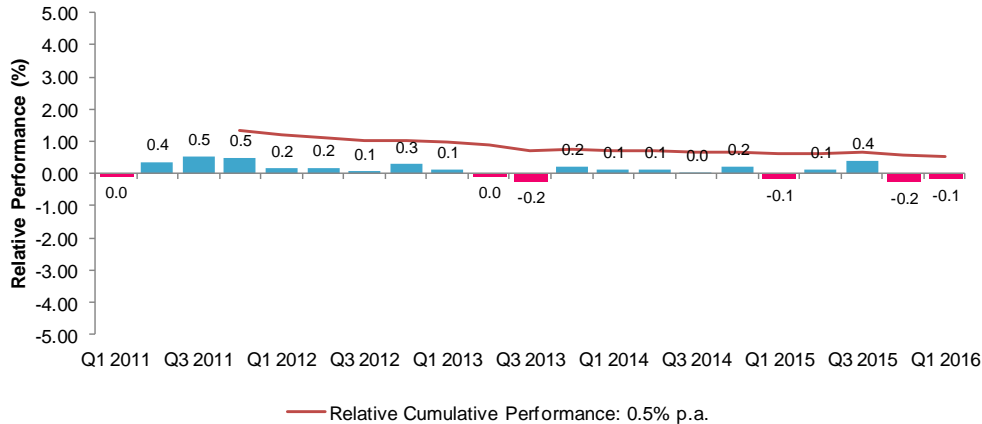
HR View Comment & Rating



There were no significant changes to report over the quarter to end March 2016.

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

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 31 March 2016, the fund delivered a positive return of 3.1% but underperformed its benchmark marginally by 0.1%.

Since 31 December 2010, the fund has outperformed its benchmark by 0.5% p.a. which, whilst positive, continues to lag its overall performance objective.

Performance Summary (Gross of fees) [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	3.1	0.7	5.1	7.5
Benchmark	3.2	0.5	4.9	6.9
Relative	-0.1	0.2	0.2	0.5

* 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.




Appendix C – WM Local Authority Universe Comparison to 31 March 2016

Fund Returns

	Latest Quarter	1 Year	3 Years	5 Years
	%	%	5	% pa
Fund	2.4	-0.9	4.4	5.4
Benchmark	1.8	0.2	6.4	7.1
Relative Return	0.5	-1.1	-1.9	-1.6

Total value of Assets in the LB Barnet Pension Fund excluding cash balances as at 10 June 2016						
		Allocation as at 10th June 2016			Target Allocation	Target Allocation
		£	%		%	£
Equities				38.04		36.00
	LGIM Global	172,362,711	18.88		18.00	164,334,349
	LGIM RAFI	174,951,662	19.16		18.00	164,334,349
Diversified Growth				28.78		22.00
	Schroder	132,286,647	14.49		11.00	100,426,547
	Newton	130,463,967	14.29		11.00	100,426,547
Multi Credit Liquid				16.12		17.00
	Schroder	91,192,970	9.99		10.00	91,296,861
	Babson Capital	26,000,000	2.85		3.50	31,953,901
	Alcentra	30,000,000	3.29		3.50	31,953,901
Corporate Bonds				11.46		12.00
	Schroder	104,581,910	11.46		12.00	109,556,233
Illiquid Alternatives				5.60		13.00
	Alcentra	16,128,741	1.77		4.00	36,518,744
	Partners Group	35,000,000	3.83		4.00	36,518,744
	Manager X TBC	0	0.00		5.00	45,648,430
Total		912,968,608	100.00		100.00	912,968,608

	<p>Pension Fund Committee</p> <p>19 July 2016</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

This report updates the Committee on the Admitted Bodies participating in the Local Government Pension Scheme administered by the London Borough of Barnet (LBOB)

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 3 new Admitted Bodies to the Fund namely Hestia, Cambridge Education and ISS.

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 That the Committee notes the update to the issues detailed in Appendix 1
- 2.2 Hestia: The transfer of 1 member of staff from the Domestic Violence Unit
- 2.3 Cambridge Education: the London Borough of Barnet have outsourced the Education and Skills contract, this element relates to the Non Catering Contract
- 2.4 ISS: the London Borough of Barnet have outsourced the Education and Skills contract, this element relates to the Catering Contract
- 2.5 In accordance with the Best Value Authorities Staff Transfer Direction 2007, issued under s.101 of the Local Government Act 2003, the former Council employees must be offered the same pension benefits and rights or a Government Actuary Department approved broadly comparable scheme. Hestia, ISS and Cambridge Education 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 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 apart from the newest admissions that are in the process of setting up payments, back dated contributions have been requested and are expected shortly.

5.3 Social Value

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

5.4 Legal and Constitutional References

5.4.1 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. However, the Regulations do allow in some circumstances for the scheme employer to act as guarantor.

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 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

5.6.2 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	NA	G	LBOB have confirmed that no Bond renewal is required as this contracted will be re-procured with effect from 1 August 2016, procurement well underway, in the interim this could be a risk to the pension fund in terms of liabilities
Viridian Housing	11	22/04/2006	Euler Hermes UK	65K	16/08/2016		G	Agreement to meet costs received , data currently being collated
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	R	G	Actuary agreed to roll forward at same level as previous year and employer currently making the arrangements to renew the Bond, The employer has confirmed that they are also finding it difficult to difficult to obtain a Bond and are concerned about having to hold so much cash as they are a small business. Await actuarial report in terms of alternatives
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		N/A	The final active member has now left the scheme, and the cessation report has been provided to Blue 9 Security, confirming a deficit payment of £16k is required, chased 24/06/2016
Music Service (BEAT)	2	01/03/2013	N/A	24K	28/02/2016	R	G	The employer has confirmed that they are also finding it difficult to difficult to obtain a Bond and are concerned about having to hold so much cash as they are a small business. Await actuarial report in terms of alternatives
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		R	G	The employer has confirmed that they are also finding it difficult to difficult to obtain a Bond and are concerned about having to hold so much cash as they are a small business. Await actuarial report in terms of alternatives
Hartwig	1	23/06/2014	N/A	N/A	N/A	NA	G	Liabilities retained by LBOB no bond required
Allied Healthcare	4	23/06/2014	N/A	N/A	N/A	NA	G	Liabilities retained by LBOB no bond required
Absolutely Catering (Queenswell School Catering Contract)	1	01/09/2015	TBC	17K	01/09/2018	R	G	Actuarial report has been provided to the provider, awaiting Admission Agreement and Bond details, last chased 24/06/2016
Green Sky (3) (St Michaels School cleaning)	5	01/09/2014	TBC	16K		R	G	The employer has confirmed that they are also finding it difficult to difficult to obtain a Bond

contract)								and are concerned about having to hold so much cash as they are a small business. Await actuarial report in terms of alternatives
Absolutely Catering (2) (St James' Catholic School) (previously on report as Brookwood)	8	01/01/2016	TBC	33K	01/01/2019		G	The Actuarial report has been submitted to the provider and action is being taken to secure the Bond, last chased 24/06/2016
Servest (Henrietta Barnet School)	1	01/10/2015	TBC	7K	01/10/2018	R	R	The Actuarial report has been submitted to the provider and action is being taken to secure the Bond, last chased 24/06/2016, awaiting back dated contributions
ISS (Education and Skills – LBOB Catering)	233	01/04/2016	NA	No Bond required LBOB guarantor	NA	NA	G	Final report provided and forwarded to provider, awaiting signed Admission Agreement
Cambridge Education (Mott)	113	01/04/2016	NA	No Bond required LBOB	NA	NA	R	Final report provided and forwarded to provider, awaiting signed Admission Agreement,

Macdonald) (Education and Skills LBOB non-catering)				guarantor				awaiting back dated contributions
Hestia (Domestic violence service)	1	18/04/2016	TBC	£15K	TBC	R	R	Actuarial report has been provided to the provider, awaiting Admission Agreement and Bond details, last chased 24/06/2016, awaiting back dated contributions

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 replacement for Housing 21 called Enablement procurement)

	<h2>Pension Fund Committee</h2> <h3>19 July 2016</h3>
<p style="text-align: right;">Title</p>	<p>London Collective Investment Vehicle Update and Response to Local Government Pension Scheme Reform Consultation</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><i>Appendix – Copy of response to LGPS pooling review Letter (to follow)</i></p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Iain Millar, Head of Treasury Services 0208 359 7126</p>

<h2>Summary</h2>
<p>This report summarises progress made in setting up the London Local Government Pension Scheme Collective Investment Vehicle (London CIV).</p> <p>The London CIV has now received Financial Conduct Authority (FCA) authorisation. In due course the Committee may transfer assets or invest directly into funds held in the CIV, where this is deemed as beneficial for the Fund to do so.</p>

<h2>Recommendations</h2>
<ol style="list-style-type: none"> 1. That the Pension Fund Committee note the progress update on investing in the London CIV. 2. That the Committee note the London Borough of Barnet (LBB) response to the Local Government Pension Scheme (LGPS) pooling review made in consultation with the Chair of the Pension Fund Committee at section 5.2.7. (copy to follow).

1. WHY THIS REPORT IS NEEDED

- 1.1 To update the Committee and to provide reassurance that the pension fund is being invested prudently and in accordance with the investment strategy.

2. REASONS FOR RECOMMENDATIONS

As for 1.1 above.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Not relevant in the context of this report..

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. Participating in collective working and cost sharing will provide support towards the Council's corporate priorities and compliance with the proposed Local Government Pension Scheme pooling arrangements.

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

UPDATE ON THE CIV

- 5.2.1 The London CIV is fully authorised by the FCA Governance and decision making will remain with participating London Boroughs, the investment decision makers for funding strategy, asset allocation and investment strategy. The Pensions Sectoral Joint Committee (PSJC) made up of Elected Member representatives is the supervisory body with responsibility for oversight and scrutiny, policy decisions and strategic objectives of the London CIV. The PSJC is supported by the Investment Advisory Committee (representative officers who provide advice and guidance on investment mandates. All London Boroughs will now participate in the London CIV following the respective decisions of Hillingdon and Bromley to join.
- 5.2.2 Five sub –funds have been opened. Fourteen authorities transferred a total of £2.3 billion of assets. A further eight sub-funds will be opened over the coming months and these will be a mix of active and passive asset classes.
- 5.2.3 As reported at the meeting of the Committee held on 15 March 2016, the London CIV has now reached a stage where managers with multiple mandates across London have provided their best and final offers on fees for

inclusion in the CIV. Each borough which currently invests with that manager will be asked in the near future whether they wish to transfer existing funds with that manager to the CIV under the CIV fee schedule. One of the passive equity sub-funds currently being set up is with Legal and General Investment Management and will be offered to the Barnet Pension Fund.

Progress on developing passive fund structure has been delayed. The CIV team are working on a workable solution but a fund transition date has not been set. No funds have yet been transitioned from LBB Barnet Pension Fund to the CIV.

5.3 RESPONSE TO THE GOVERNMENT'S INVESTMENT POOLING REFORM OF THE LGPS

5.3.1 The London CIV has been co-ordinating the response to the Government's investment pooling reform of the LGPS to deliver efficiencies through collective investment, the Government's expectation is that all investments should be made through a collective pool.

5.3.2 The pooling reform requires the development of a transition plan from individual LGPS funds to one of the national pools in three year time blocks from 2018. Liquid assets are to transfer. The following are exempted from pooling.

- Life Policies
- Directly held property
- Illiquid assets
- Local investment
- Buy-ins
- Hedging instruments
- Working capital/cash.

5.3.3 A detailed response from individual LGPS pools is required by the submission date of the 15th July 2016. (LGPS administering authorities are not required to submit an individual response).

5.3.4 Pension Fund Committee is requested to note the response made from the Interim Chief Executive in consultation with the Chair of the Pension Fund Committee to highlight local issues to be appended to the London CIV response for submission on 15th July 2016: That an individual administering authority should have the following discretions:

1 Discretion to invest in any national pool if a current or new fund manager cannot be accessed through the London CIV.

2 Discretion to withhold current illiquid funds in the longer term if the business case demonstrates that costs of transition outweighs the benefits of pooling.

3 Discretion to make long term local investment decisions subject to the business case.

5.4 Social Value

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

5.5 Legal and Constitutional References

5.5.1 This report is based on the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) which have their basis in the Superannuation Act 1972

5.5.2 Under the Council's Constitution, Responsibility for Functions, Annex A – the terms of reference of the Pension Fund Committee include the following responsibilities:

- To appoint Pension Fund Investment Managers.
- To determine the appropriate course of action on any matter not specifically listed above that pertains to the leadership and/or strategic management of the Pension Fund, in particular any matter which could materially affect its financial performance or long-term standing.

5.6 Risk Management

5.6.1 The Pension Fund's asset allocation may not maximise potential investment return. This can be addressed by restructuring the fund portfolio to reflect changes in market conditions and expectations of future returns through asset classes and fund managers accessible through the London CIV.

5.7 Equalities and Diversity

5.7.1 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.

5.7.2 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.

5.8 Consultation and Engagement

5.8.1 As agreed by the Committee at its meeting on 22nd October 2015, consultation has taken place with the Chairman of the Committee.

5.9 Insight

5.9.1 Not applicable

6 BACKGROUND PAPERS

6.1 London Councils Pensions CIV Sectoral Joint Committee Item No 5
London CIV Progress update

<http://www.londoncouncils.gov.uk/node/26840>

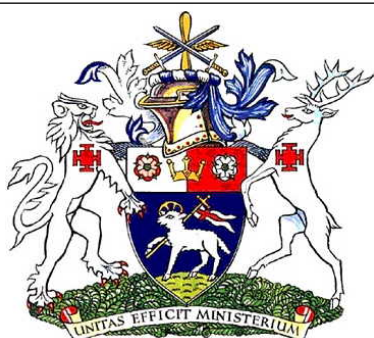
6.2 Pension Fund Committee 22 October 2015 Agenda Item 10

<http://barnet.moderngov.co.uk/documents/s26669/Update%20Report%20London%20Collective%20Investment%20Vehicle.pdf>

6.3 Pension Fund Committee 15 March 2016 Agenda Item 9

<http://barnet.moderngov.co.uk/documents/s30434/Update%20Report%20London%20Collective%20Investment%20Vehicle.pdf>

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Pension Fund Committee

19 July 2016

Title	Pension Fund Committee Forward Work Programme
Report of	Chief Operating Officer
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Committee Forward Work Programme July 2016 - March 2017
Officer Contact Details	Salar Rida Salar.Rida@Barnet.gov.uk 020 8359 7113

Summary

This report outlines the business which the Pensions Fund Committee is to consider and determine for 2016-17.

Recommendations

1. That the Committee note and comment on the items included in the Forward Work Programme Appendix A.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Pension Fund Committee Work Programme 2016-17 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 Not applicable.

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
July 2016 - March 2017

Title of Report	Overview of decision	Report Of (<i>officer</i>)	Issue Type (Non key/Key/Urgent)
31 October			
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
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
Barnet Council Pension Fund Performance for Quarter	That having considered the performance of the Pension Fund for the quarter, the Committee instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
18 January 2017			
Barnet Council Pension Fund Performance for Quarter	That having considered the performance of the Pension Fund for the quarter, the Committee instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key
14 March 2017			

Subject	Decision requested	Report Of	Contributing Officer(s)
Barnet Council Pension Fund Performance for Quarter	That having considered the performance of the Pension Fund for the quarter, the Committee instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.	Chief Operating Officer (Director of Finance / Section 151 Officer)	Non – Key

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