

**MEETING**

**LOCAL PENSION BOARD**

**DATE AND TIME**

**WEDNESDAY 25TH JANUARY, 2017**

**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

Tom Evans

Stephen Ross

Vacancy

**Substitute Members**

Councillor Daniel Thomas

Hem Savla

Richard Budd

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Friday 20 January at 10AM. Requests must be submitted to [paul.frost@barnet.gov.uk](mailto:paul.frost@barnet.gov.uk)

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

**Andrew Charlwood – Head of Governance**

Governance Service contact: Paul Frost - 0208 359 2205

Media Relations contact: Sue Cocker 020 8359 7039

**ASSURANCE GROUP**

## ORDER OF BUSINESS

Item No	Title of Report	Pages
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## Decisions of the Local Pension Board

7 November 2016

Members Present:-

AGENDA ITEM 1

Councillor Brian Salinger (Chairman)

Geoffery Alderman (Vice-Chairman)

Luke Ward  
Tom Evans

Stephen Ross

Also in attendance  
Hem Savla

### 1. MINUTES OF LAST MEETING

It was **RESOLVED** that the minutes of the previous meeting held on 27 July 2016, be agreed as a correct record.

### 2. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

None.

### 3. ABSENCE OF MEMBERS

None.

### 4. PUBLIC QUESTION AND COMMENTS (IF ANY)

None.

### 5. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

### 6. MEMBERS' ITEMS (IF ANY)

None.

### 7. BARNET COUNCIL PENSION FUND PERFORMANCE FOR QUARTER APRIL TO JUNE 2016

The Chairman introduced the item which summarises the Pension Fund investment manager performance for April to June quarter 2016 and was reported to the Pension Fund Committee (PFC) on 31 October 2016.

The Head of Treasury Services, Iain Millar presented the report to the Board and provided a summary of the discussion had by Members at the meeting of the Pension Fund Committee. He drew the Board's attention to Appendix C which detailed the position of the total value of Assets in the LB Barnet Pension Fund excluding cash

balances as at 30 September 2016. He informed the Board that there had been an improvement in the fund's performance which had benefited from increased exposure to Legal and General.

**It was RESOLVED –**

**That the Board noted and provided comments on the Barnet Council Pension Fund Performance for Quarter April to July 2016.**

**8. PENSION BOARD BUDGET 2016-17**

Iain Millar presented the report. In response to a query raised by the Board he informed them that expenses incurred by the Pension Board incurs were met by LBB Pension Fund and that up to 25k is put aside for administration costs. Final approval of the Board's work plan and budget is given by Barnet Pension Fund Committee and this is done annually.

At the Board's requested, Mr Millar agreed where practical to inform Board Members when free training sessions relevant to the Board's remit become available. **[action]**

To get a better understanding of their budget and allocation the Board requests if officers could provide details of last financial year's budget and how much was spent. **[action]**

**It was RESOLVED –**

**That the Board noted the proposed Pension Board budget for 2016-17.**

**9. PENSION FUND ANNUAL REPORT AND EXTERNAL AUDITOR'S REPORT UNDER INTERNATIONAL STANDARD ON AUDITING (ISA) 260 FOR THE YEAR 2015/16**

Iain Millar introduced the report and informed the Board that the accounts had now been approved by BDO the Pension Fund's appointed external auditors who replaced Grant Thornton.

Mr Stephen Ross queried whether the auditors comments, on page 59 under the heading '*Key Audit and Accounting Matters*' should be cause of concern.

Mr Millar, advised that the accounts were correct having been approved by the previous auditors, Grant Thornton. He clarified that some adjustment was required following inspection of the accounts by BDO along with some further detail. He clarified that this had been resolved and the accounts approved by BDO.

**It was RESOLVED:**

**That the Board noted and provided comment on the Annual Report and Pension Fund Accounts 2015/16.**

## **10. TRAINING POLICY AND KNOWLEDGE UNDERSTANDING AND SKILLS FRAMEWORK**

Iain Millar introduced the report which set out a training policy for the Pension Fund Committee applicable to both the Members of the Pension Fund Committee and the Local Pension Board and officers responsible for supporting the Fund.

The Board requested if officers could investigate what other Local Pension Boards with regards to training and if feasible or practical consider holding a collective training session. **[action]**

**It was RESOLVED:**

**That the Board noted and provided comment on the Training Policy and Knowledge Understanding and Skills Framework.**

## **11. UPDATE ON ADMITTED BODIES ORGANISATIONS**

The Head of Treasury Services introduced the report which provided the Board with an update position on admitted bodies participating in the Local Government Pension Scheme administered by the London Borough of Barnet.

He informed the Board that the Pension Fund Committee had raised concerns about having admitted bodies that did not have Bonds in place and the risk if the employer went into receivership. The Committee requested assurance that all employers were paid up and that those who did not have a Bond in place, their contributions were paid up to date.

The Chairman queried what impact the possible large Street Scene re-procurement would have.

Mr Millar confirmed that staff would not transfer out of the Pension Fund; liability would transfer to the new employer which would become an admitted body of the Pension Fund.

The Board queried why some employers' 'Bond Tag' was red. Mr Millar clarified the red status indicated a lack of response or delay from the employer at the time of writing the report on information requested. It did not indicate the employer being at risk. He confirmed that at the meeting of Pension Fund Committee, Members were provided with the current position which was that the information was now up to date.

It was further queried why for Cambridge Education (Mott Macdonald) (Education and Skills LBOB non-catering) no bond was required. Mr Millar advised he would check the bond arrangements in place and update the Board. **[action]**

**It was RESOLVED:**

**That the Board noted and provided comment on the Admitted Bodies Organisations.**

## **12. COMMITTEE WORK PROGRAMME**

The Chairman introduced the Forward Plan which is a standing item on the agenda and lists the items for 2016/17.

The Governance Officer informed the Board that to ensure they are operating effectively, officers have proposed developing a more comprehensive work programme focusing on (but not exclusively) the following areas;

- training, knowledge and understanding
- Avoiding any conflicts of interest
- Ensuring its own statutory compliance
- Checking fund governance
- Reviewing fund risks and internal systems and controls
- Checking fund external advisors/service providers and their internal controls
- Reviewing fund member record keeping
- Checking fund contributions
- Reviewing fund administration
- Benchmarking fund performance and Value for Money (VFM)
- Fraud prevention
- Employer and member communications
- Complaints and dispute resolution
- Reporting regulatory breaches

In addition this would tie into areas of development already identified by the Board in previous items, namely;

- 1 Identifying any areas of financially material breaches/ areas of regulatory non-compliance that need remediation action
- 2) Identifying the underlying causes of fund non-compliance and helping ensure rectification plans are being carried out to agreed timescales – for example in relation to:
- 3) Wherever possible undertake joint training and demonstrate it has a positive role in helping the fund deliver good-best practice relative to other LGPS funds.

The detailed development of the plan would be carried out in consultation with the Chairman. The Board agreed

**It was RESOLVED:**

1. That the Committee considered and comment on the items included in the 2016- 17 work programme.
2. That officers in consultation with the Chairman develop a work programme as detailed above.

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

None.

**14. MOTION TO EXCLUDE THE PRESS AND PUBLIC**

None.

**15. ANY OTHER EXEMPT ITEM(S) THE CHAIRMAN DECIDES ARE URGENT**

None.

The meeting finished at Time Not Specified

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## Terms of Reference for the London Borough of Barnet Pension Board

The purpose of this document is to set out the detailed Terms of Reference for the Local Pension Board of the London Borough of Barnet Pension Fund.

### AGENDA ITEM 2

#### 1. Role of the Local Pension Board

1.1 The role of the local Pension Board, as defined by sections 5(1) and (2) of the Public Services Pension Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013.

- To assist with:
  - securing compliance with 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
- Ensure the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.
- Ensure the Pension Fund's strategy and policy documents are in place and have been maintained in accordance with the LGPS Regulations. These documents are the: communications policy statement; funding strategy statement; governance compliance statement; statement of investment principles and the Pension Fund annual report and accounts.
- Ensure the Pension Fund's internal Risk Register is in place and reviewed at least annually.
- 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.
- Annually submit a proposed work plan for the forthcoming financial year, to the Pension Fund Committee.
- To carry out any other activities relating to the efficient governance and administration of the Pension Fund.
- To submit an annual budget to the Barnet Pension Fund Committee for approval.

1.2 The Local Pension Board does not replace the Administering Authority or make decisions or carry out duties other than those which are the responsibility of the Administering Authority (refer to Compliance statement). The Pension Board is an advisory/scrutiny board and does not have decision making powers.

- 1.3 The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility and secure compliance with any requirements imposed by the Pensions Regulator.

## **2. Appointment of members of the Pension Board**

- 2.1 All Board members will be appointed by Full Council. It is a statutory requirement (section 248A of the 2004 Act) that the Administering Authority must be satisfied that every individual member of the Pension Board is;
- 2.2 conversant with;
- the legislation and associated guidance of the Local Government Pension Scheme
  - any document recording policy about the administration of the fund which is for the time being adopted by LBB Fund; and
- 2.3 have knowledge and understanding of;
- the law relating to pensions; and
  - such other matters as may be prescribed

## **3 Rules governing Membership the Local Pension Board**

- 3.1 Local Pension Boards must include an equal number of employer and member representative with a minimum requirement of no fewer than four in total.
- 3.2 No officer or Councillor who would is responsible for the discharge of any functions under the Regulations (apart from any relating to LPB) may be a Member of the Local Pension Board of that authority.
- 3.3 Officer precluded would be any officer named in the scheme of delegation (e.g. Section 151 Officer and the head of investments). The guidance also states that consideration should be given as to whether officers of the Fund at a senior level, who are not named in the formal scheme of delegation, but who are responsible for discharging functions under the Regulations, should be precluded from being a member of the LPB.

## **4 Composition of the Board**

- 4.1 The Board shall consist of 5 members constituted as follows:
- 2 Council representatives (employers side) comprising:
    - 1 Councillor who is not a member of the Pension Fund Committee
    - 1 employer representative from an admitted or scheduled body (e.g. Re, CSG or Middlesex University)
  - 2 scheme member representatives (employee side) comprising:
    - 1 active member
    - 1 retired/deferred member

- **1 independent member/advisor**  
Having no current employment, contractual, financial or other material interest in the Council or any scheme employer fund and not being a member of the LGPS Fund.

4.2 Independent and Scheme Members shall be appointed following a public recruitment, selection and interview process.

## **5. Chairman and Vice-Chairman of the Board**

5.1 The Chairman and Vice-Chairman of the Board will be appointed by Members of the Board as the first business at their first meeting.

5.2 Should the elected Chairman be an Employer representative the Vice-Chairman must be a Scheme Member representative and vice versa.

**NB:** Independent member cannot be appointed Chairman or Vice-Chairman.

## **6. Substitute Members**

6.1 Each member will have a substitute to act as Board member in their absence, which will be recommended following a recruitment process consistent with their own appointment. These nominations will be approved as part of the overall appointments made by Full Council.

**NB:** The independent member shall not have a substitute.

## **7. Quorum**

7.1 The Pension Board will be quorate when three voting Pension Board Members are in attendance.

## **8. Period of Office**

8.1 Each Board member shall be appointed for a fixed period of four years, which will usually occur at the Annual Council meeting.

## **9. Termination of office**

9.1 Each Board member will be expected to attend all meeting and training sessions during the year. The membership of any member who fails to attend two or more meetings shall be reviewed and determined by other Board members in consultation with officers.

9.2 The removal of a member from office during their term of appointment can only be enacted by the unanimous agreement of the other members present at the meeting.

9.3 In absence of mitigating factors a Board member can be removed from the Board in the following circumstances (but not limited to):

- A poor attendance record;
- If a member does not undertake training as requested;

- If a member is In breach of Council’s Code of Conduct, Pension Board Code of Conduct and Conflict of Interest policy;
- If a member has a conflict of interest that cannot be managed in accordance with the Board’s conflicts policy.

9.4 Should the Council representative members, or the active scheme member(s) cease to be Council representatives or active scheme members, he/she will automatically cease to be a member of the Board and the Administering Authority will conduct a replacement process.

95. If a Board member chooses not to continue their role, they must provide a written notice of their resignation from their post to the Governance Service. The notice period shall be two months. Once the written notice is received the Board shall be notified accordingly and arrangements shall be made for a replacement in line with the procedures for their original appointment.

## **10. Voting Rights (this is dependent on makeup of the Board)**

10.1 The Independent Member will not have any voting rights. All other members of the board will be entitled to vote.

10.2 In the event of an equality of voted the Chairman will have the casting vote.

## **11. Frequency of meeting**

11.1 The number of meetings a year should be in alignment with the number of the Pension Committee meetings year, or should be determined by the Board once it has agreed a work plan, with a minimum of two meetings annually.

## **12. Notice of meeting and circulation of papers**

12.1 In accordance with the Access to Information Procedure Rules as set out in the Council’s Constitution.

## **13. Minutes**

13.1 In accordance with the Access to Information Procedure Rules as set out in the Council’s Constitution.

## **14. Accountability and reporting**

14.1 The Board is accountable solely to the Council for the effective operation of its functions.

14.2 The Board shall report to the Pensions Committee as often as the Board deems necessary and at least annually:

- 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.

On certain matters the board will report directly to Council;

14.3 The Board shall report annually to Full Council on its work.

14.4 It will also and as necessary from time to time to report to Full Council any breach in compliance or other significant issues such as:

- any areas of persistent non-compliance
- any area of non-compliance within the LGPS Regulations that have been reported to the Pension Fund Committee
- areas raised to the Board to be investigated and how they were dealt with;
- any risks or other areas of potential concern it wishes to raise;

## **15. Code of Conduct**

15.1 All members of the Board are expected to act in accordance with Barnet Council's Code of Conduct for Councillors, and where applicable and the Pensions Regulator's Code of Practice.

## **16. Conflicts of interest**

16.1 All members of the Board must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

16.2 In accordance with s5(5) Public Service Pension Act 2013, a Board member must not have a financial or other interest that could prejudice him/her in carrying out his/her Board duties. This does not include a financial or other interest arising merely by virtue of being a member of the LGPS.

16.2 On appointment to the Board and following any subsequent declaration of potential conflict the conflict must be managed in line with the Council's Members Code of Conduct, the Local Government Pension Scheme (LGPS) Guidance on Conduct of Members and Conflicts of Interest, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Board members.

## **17. Knowledge and understanding including training**

17.1 All new members must follow an induction training plan and all members of the Board will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.

17.2 All members must be prepared to participate in such regular personal training needs analysis or other processes as are put in place to ensure that they maintain the required level of knowledge and understanding to carry out their role.

17.3 Failure to attend training or participate in the processes may lead to membership being reviewed.

## 18. Definitions

The undernoted terms shall have the following meaning when used in this document:

<i>Administering Authority</i>	London Borough of Barnet
<i>Board or Pension Board</i>	The local Pension Board for the London Borough of Barnet, Administering Authority for the London Borough of Barnet Pension Fund as required under the Public Service Pensions Act 2013
<i>Board Member</i>	A member of the Board including Employer representatives, Scheme Member representatives and an independent member
<i>Code of Practice</i>	The Pensions Regulator's [draft] Code of Practice no 14 entitled " <i>Governance and administration of public service pension schemes.</i> "
<i>Conflicts of Interest</i>	As defined in the Public Service Pensions Act 2013
<i>Employer Representative</i>	A person appointed to the Board for the purpose of representing employers for the Scheme
<i>Fund</i>	The London Borough of Barnet Pension Fund within the Scheme administered and maintained by the Scheme Employer
<i>Independent Member</i>	A Member of the Board who is neither an Employer Representative nor a Member Representative
<i>LGPS</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional

Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

*Member Representative*

A person appointed to the Board for the purpose of representing members of the Scheme

*Scheme*

The Local Government Pension Scheme as defined under LGPS

*Scheme Manager*

London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund

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	<p><b>Local Pension Board</b></p> <p><b>25 January 2017</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Local Pension Board Work Plan Review</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Chief Operating Officer</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Iain Millar 020 8359 7126, <a href="mailto:iain.millar@barnet.gov.uk">iain.millar@barnet.gov.uk</a></p>

### Summary

The report sets out a proposed revised workplan for the Local Pension Board for approval subject to any amendments suggested at the meeting

### Recommendations

**To review and approve a revised workplan for the Local Pension Board.**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 To present a revised work programme for the Local Pension Board to review and to discuss any additions or amendments required.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 To ensure that the Local Pension Board maintains a clear and relevant forward work programme that is aligned to the Pension Fund Committee business cycle and workplan.
- 2.2 The main purposes of the Local Pension Board is to ensure that the Pension Fund scheme manager fulfils and secure compliances with the Local Government Pension Scheme (LGPS) regulations and the requirements of the Pension Regulator (TPR) and that the Board assists in the efficient and effective governance of the Fund

### **Revised Work Programme**

- 2.3 On 7 November 2016 Pension Board agreed that officers would develop a more comprehensive work programme in consultation with the Board Chair. The draft work programme is set out in Appendix 1.
- 2.3 The basis for this plan is drawn on the LPGA and TPR guidance on the role and business of Pension Board and takes into account the Pension Fund's cyclical annual and triennial business. These activities are categorised into the following areas:
- Statutory Board Business
  - Board Governance
  - Review of Policies and Strategies
  - Finance and Audit
  - Fund Administration
  - Fund Governance
- 2.4 The work programme will also provide the basis for reporting on the Board's activities over the year within its annual report. It is designed to be reviewed at each Board meeting and to be amended to respond to new and emerging issue that may arise over the year.
- 2.5 The Pension Board is invited to discuss and comment on the attached appendix

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 None in the context of this report.

### **4. POST DECISION IMPLEMENTATION**

4.1.1 Officers will revise the work programme if additions or amendments are required .

4.1.2 Under its terms of reference, the Board is required to report to the Pension Fund Committee at least annually. A detailed report, outlining 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, shall be presented at the 18 March 2017 meeting.

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

- Ensure the effective and efficient governance and administration of the Local Government Pension Scheme(LPGS0 for the London Borough of Barnet (LBB) Pension Scheme.

#### **5.5 Risk Management**

5.5.1 The purpose of the work programme is to help manage regulatory and compliance risks in relation to the administration and governance of the Fund.

#### **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 Draft Pension Board Work Programme**

	2016-17			2017-18		
<b>Board Meeting Date</b>	<b>09/11/2016</b>	<b>25/01/2017</b>	<b>23/03/2017</b>	<b>q1</b>	<b>q2</b>	<b>q3</b>
<b>Statutory Business Standing Items</b>						
(as set out in Local Pension Board Minutes)	x	x	x	x	x	
Forward Work Programme Review	x	x	x	x	x	
<b>Main Business Items</b>						
<b>Board Governance</b>						
Review						
Budget setting	x			x		
Board Annual Report			x			
Board Performance Review				x		
Review of Board Terms of Reference						
Annual Training Plan	x			x		
Training item for agenda and regulatory update						
Administration Discretions						
<b>Pension Fund Policies and Strategies</b>						
Review:						
Governance Compliance Strategy			x			
Funding Strategy Statement			x			
Investment Strategy Statement			x			
Compliance with Stewardship Code					x	
Communication Strategy			x			
<b>Financial Reporting and Audit</b>						
Review:						
PF Annual Report					x	
PF Statement of Accounts and auditors report					x	X
Audit plans and reports (internal )				x		

Review external audit plan			x			
<b>Administration</b>						
Review						
Employer compliance	x					
Internal dispute resolution						
Fund communications Members and employers						
Data Security and Business recovery						
GMP reconciliation process						
<b>Fund Governance</b>						
Review Risk Register		x				
Review Training Programme	x					
Review of PFC Minutes and Reports	x	x	x	x	x	
Review PF KPI's						
Review National CIPFA and TPR Surveys external benchmarking						
Review Actuarial valuation process		x				



X

	<p><b>Local Pension Board</b></p> <p><b>25 January 2016</b></p>
<b>Title</b>	<p><b>Update on Admitted Bodies Organisations</b></p>
<b>Report of</b>	<p>Head of Governance</p>
<b>Wards</b>	<p>All</p>
<b>Status</b>	<p>Public</p>
<b>Urgent</b>	<p>No</p>
<b>Key</b>	<p>No</p>
<b>Enclosures</b>	<p>Annex 1 – <b>Update on Admitted Bodies Organisations</b></p>
<b>Officer Contact Details</b>	<p>Paul Frost, Governance Officer, Team Leader  <a href="mailto:Paul.frost@barnet.gov.uk">Paul.frost@barnet.gov.uk</a>                  020 8359 2205</p>

<b>Summary</b>
<p>This report encloses the report Update on Admitted Bodies Organisations that was considered by the Pension Fund Committee on 18 January 2016.</p>

<b>Recommendations</b>
<p><b>That the Local Pension Board notes the report.</b></p>

## **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

## **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 2016.

### **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>Pension Fund Committee</h2> <h3>18 January 2017</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Update on Admitted Bodies Organisations</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Interim Chief Executive</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>N/A</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix 1 – Admitted Bodies Monitoring Sheet</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Karen Scott, Service Delivery Manager, Capita  <a href="mailto:Karen.scott2@capita.co.uk">Karen.scott2@capita.co.uk</a> 07785 454929</p>

<h2>Summary</h2>
<p>This report updates the Committee on the admitted bodies participating in the Local Government Pension Scheme administered by the London Borough of Barnet (LBOB).</p>

<h2>Recommendations</h2>
<p><b>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.</b></p>

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The report is to update the Pension Fund Committee on the current position in relation to admitted bodies to the London Borough of Barnet Pension Fund.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 In accordance with the Best Value Authorities Staff Transfer Direction 2007, issued under s.101 of the Local Government Act 2003, former Council employees must be offered the same pension benefits and rights or a Government Actuary Department approved broadly comparable scheme.

## **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 Fund have been rated green in Appendix 1 apart from the newest admissions that are in the process of setting up payments.

### **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 admitted 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 to 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 bonds (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 to 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 Appendix 1

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Housing 21 (2) New (employer 68)	56	06/09/2010	Barclays Bank	778	30/09/2015	NA	G	Housing 21 is no longer an admitted body in the fund from 01/08/2016. Actuary has confirmed that a cessation valuation is required. CEB (Capita) currently collating data.
Viridian Housing	11	22/04/2006	Euler Hermes UK	65	16/08/2016	R	G	Awaiting confirmation of agreed actuarial assumptions before bond value can be calculated by actuary
Fremantle Trust (2)	83	28/03/2014	Royal Bank of Scotland	770	27/03/2017		G	Contact will be made with this employer early in January 2017
Greenwich Leisure	22	31/12/2002	Zurich Insurance PLC	328	30/09/2017		G	

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Birkin Cleaning Services (St James Catholic ) Approved	6	24/10/2011	Technical & General Guarantee Company SA	13	30/08/2015	R	G	Await actuarial report in terms of alternatives.
Mears Group Approved	19	10/04/2012	Euler Hermes	320	30/09/2017		G	
NSL Approved	31	01/05/2012	Lloyds TSB	412	30/04/2017		G	Contact will be made with this employer early in January 2017
Music Service (BEAT) Approved	2	01/03/2013	N/A	24	28/02/2016	R	G	Await actuarial report in terms of alternatives.
Capita (NSCSO ) Approved	412	01/09/2013	Barclays Bank PLC	4,731	01/09/2017		G	

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Capita (DRS) Approved	261	01/10/2013	Barclays Bank PLC	3,813	01/10/2017		G	
OCS Group Approved	13	31/05/2014	HSBC	102	31/05/2017		G	Contact will be made with this employer early in January 2017
Ridgecrest Cleaning Approved	4	03/11/2014	HCC International	14	03/11/2017		G	
Green Sky (2)(Claremont School) Approved	4	19/01/2015	TBC	23		R	G	Await actuarial report in terms of alternatives.
Hartwig Approved	1	23/06/2014	N/A	N/A	N/A	NA	G	Liabilities retained by LBOB - no bond required
Allied Healthcare Approved	4	23/06/2014	N/A	N/A	N/A	NA	G	Liabilities retained by LBOB - no bond required

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Absolutely Catering (Queenswell School Catering Contract ) Approved	1	01/09/2015	TBC	17	01/09/2018		G	21/12/2016 no Bond or Admission Agreement has ever been received despite many chasers, CEB have now been advised this contract has been re-procured and awarded to Pride Catering. CEB have contacted the school for confirmation of the current situation.  Cessation calculation will be required for Absolutely Catering 1
Green Sky (3) (St Michael's School cleaning contract) Approved	5	01/09/2014	TBC	16		R	G	Await actuarial report in terms of alternatives.

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Absolutely Catering (2) (St James' Catholic School) (previously on report as Brookwood) Approved	8	01/01/2016	TBC	33	01/01/2019		G	Absolutely Catering have been conversing with CEB in terms of the paperwork and expect to send the Bond document shortly, currently awaiting final information from their insurer
Servest (Henrietta Barnet School) Approved	1	01/10/2015	TBC	7	01/10/2018	R	G	Servest have been conversing with CEB in terms of the paperwork and expect to send the Bond document shortly. Currently awaiting final information from their insurer.
ISS (Education and Skills – LBOB Catering ) Approved	233	01/04/2016	NA	No Bond required LBOB guarantor	NA	NA	G	Awaiting signed Admission Agreement

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Cambridge Education (Mott Macdonald) (Education and Skills LBOB non-catering) Approved	113	01/04/2016	NA	No Bond required LBOB guarantor	NA	NA	G	Admission Agreement received and sent to legal for sealing
Hestia (Domestic violence service) Approved	1	18/04/2016	TBC	£15K	TBC		G	Admission Agreement received and sent to legal for sealing. Still awaiting Bond document but details are provided in the Admissions Agreement so it can be considered to be in place.

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Allied Healthcare 2 (Home Care Procurement – Healthcare) (split between AH2 and Hartwig 1 & 2 which are being joined to form Hartwig 3) Approved	5	01/08/2016	NA	No Bond required LBOB guarantor	NA	R	G	Admission agreement and bond prepared and issued by legal advisor, CEB advised advisor is actively chasing and will forward shortly

Admitted Body	No of Active Employees on Transfer	Start Date	Bonds man	Bond Value (£000 )	Bond Expiry Date	Bond Tag (red)	Pension Contributions on Time RAG	Comments
Aqualfo (Home Care Procurement – Enablement)  Approved	31	01/08/2016	TBC	£572 K	TBC		G	Admission Agreement and Bond has not been received. CEB have now been advised that this contract has been terminated due to service issues and the contract re-procured with Your Choice. A cessation valuation will be required, CEB currently liaising with legal advisor
APCOA	1	14/11/2016						CEB have just been informed that one member of staff has TUPE'D from NSL. Currently awaiting details as have had no involvement previously.

**For information only (current activities)**

**Street Scene**

We have been made aware there is a possible large re-procurement (500+ members) named Street Scene. We have now received the membership data and are currently collating the pensions information required by the actuary

## **Leisure Contract Management Operator**

At initial stage, effective from 1/1/2018 (8 members). The membership data has been sent to the actuary to calculate the employer contribution rate and Bond level

### **Possible conversion to Academies**

Bishop Douglas	Currently awaiting membership data from school
Oak Lodge School	Currently collating pensions information for the actuary
Oak Hill Campus	Currently awaiting membership data from school
JCOSS	Currently awaiting membership data from school

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	<h2>Local Pension Board</h2> <h3>25 January 2016</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Barnet Council Pension Fund Performance for Quarter July to September 2016</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Head of Governance</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Annex 1 – Barnet Council Pension Fund Performance for Quarter July to September 2016                  Appendix A – Pension Fund Market Value of Investments as at 30 September 2016                  Appendix B – Hymans Robinson Performance Report to 30 September 2016                  Appendix C - Asset Allocation to 31 December 2016 (to be tabled at meeting)</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Paul Frost, Governance Officer, Team Leader  <a href="mailto:Paul.frost@barnet.gov.uk">Paul.frost@barnet.gov.uk</a>                  020 8359 2205</p>

<h3>Summary</h3>
<p>This report encloses the report on Barnet Council Pension Fund Performance for Quarter July to September 2016 Organisations that was considered by the Pension Fund Committee on 18 January 2016.</p>
<h3>Recommendations</h3>
<p><b>That the Local Pension Board notes the report.</b></p>

## **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

## **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 2016.

### **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>Pension Fund Committee</h2> <h3>18 January 2017</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Barnet Council Pension Fund Performance for Quarter July to September 2016</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Chief Executive Officer/Section 151 Officer</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>n/a</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A – Pension Fund Market Value of Investments as at 30 September 2016                  Appendix B – Hymans Robinson Performance Report to 30 September 2016                  Appendix C - Asset Allocation to 31 December 2016 (to be tabled at meeting)</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Iain Millar, Head of Treasury Services  <a href="mailto:Iain.Millar@barnet.gov.uk">Iain.Millar@barnet.gov.uk</a> - 0208 359 7126</p>

<h2>Summary</h2>
<p>This report summarises the Pension Fund investment managers’ performance for the July to September quarter 2016, based on the performance monitoring report provided by Hymans Robertson. An update on fund performance to 31 December 2016 will be tabled at the Committee meeting</p>

<h2>Recommendations</h2>
<p><b>1. That having considered the performance of the Pension Fund for the quarter to 30 September 2016, the Committee instruct the Chief Executive Officer (Interim) and Chief Finance Officer to address any issues that it considers necessary.</b></p>

## **1. WHY THIS REPORT IS NEEDED**

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

## **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 Executive 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 ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities (2015-2020).

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

- 5.2.1 The Pension Fund appoints external fund managers to maximise pension fund assets in accordance with the fund investment strategy. The Pension Fund is a long term investor and short term volatility of investment return is expected. In the longer term, the appointed fund managers are expected to deliver positive returns in accordance with the fund benchmarks. The global diversification of the Pension Fund portfolio gives some protection against the 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. It 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. The May 2016 funding target dates with the new credit managers were met. The asset re-allocation was made from the sale of Corporate Bonds.

5.2.4 The total market value of externally managed investments rose by £45.2 million over the quarter from £937.5 million to £982.7 million. The graph in Appendix A shows how the market value of the fund has grown since 2008. The total market value of externally managed investments as at 31 December was £1,003.9 million.

5.2.5 **Performance Summary:** Over the quarter, at a total scheme level, the Fund's externally managed investments returned 4.8% (gross of fees), outperforming the combined benchmark for the period by 0.5% (excluding passive investments). See performance summary page 6, of the attached Hymans Robertson performance report for Quarter 3, 2016. All mandates (excluding passive investments) outperformed their respective benchmarks in the quarter, with the exception of Newton's real return fund which produced a positive absolute return though slightly below benchmark, reflecting its current defensive position.

5.2.6 The Performance fees are shown gross.

### 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 the fund managers is monitored by the Pension Fund Committee every quarter with reference to reports from Hymans Robertson, the Pension Fund

investment adviser. If a fund manager's performance is considered inadequate, the fund manager can be replaced.

5.5.2 Risks around safeguarding of pension fund assets are highlighted in the current economic climate following the Brexit decision in the UK. Fund managers need to have due regard to longer term investment success, in the context of significant market volatility. A report on the impact to date of the Brexit decision will be made to the March meeting of Pension Fund Committee.

## **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. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the pension fund managers will benefit everyone who contributes to the fund.

## **5.7 Consultation and Engagement**

5.7.1 Not applicable

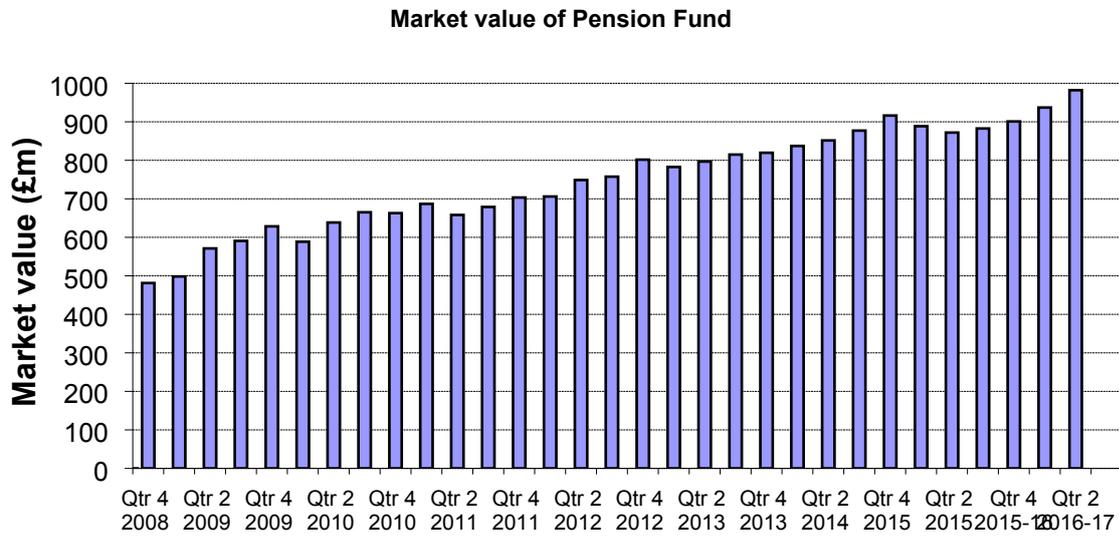
## **5.8 Insight**

5.8.1 Not applicable

## **6. BACKGROUND PAPERS**

6.1 None

**Appendix A – Pension Fund Market Value of Investments as at 30 September 2016.**



**Appendix B – Hymans Robinson Performance Report to 30 September 2016**

## Appendix C Asset Allocation to 31 December 2016

Appendix C					
LB Barnet Pension Fund					
<u>Total value of externally managed Investments as at 31.12.2016</u>					
	Allocation as at 30.9.2016			Target Allocation	
	£	%	%	£	
<b>Equities</b>			<b>41.4</b>	<b>36.0</b>	
			<b>2</b>	<b>0</b>	
LGIM Global	213,331,916	21.25		180,699,623	18.00
LGIM RAFI	202,514,837	20.17		180,699,623	18.00
<b>Diversified Growth</b>			<b>27.1</b>	<b>22.0</b>	
			<b>2</b>	<b>0</b>	
Schroder	141,129,149	14.06		110,427,548	11.00
Newton	131,087,654	13.06		110,427,548	11.00
<b>Multi Credit Liquid</b>			<b>15.2</b>	<b>17.0</b>	
			<b>9</b>	<b>0</b>	
Schroder	93,699,701	9.33		100,388,680	10.00
Babson Capital	28,146,133	2.80		35,136,038	3.50
Alcentra	31,649,160	3.15		35,136,038	3.50
<b>Corporate Bonds</b>			<b>11.1</b>	<b>12.0</b>	
			<b>1</b>	<b>0</b>	
Schroder	111,554,249	11.11		120,466,416	12.00
<b>Illiquid Alternatives</b>			<b>5.06</b>	<b>13.0</b>	
				<b>0</b>	
Alcentra Partners Group	13,640,970	1.36		40,155,472	4.00
Manager X	37,133,027	3.70		40,155,472	4.00
TBC	0	0.00		50,194,340	5.00
<b>Total</b>	<b>1,003,886,79</b>	<b>100.00</b>	<b>100.0</b>	<b>1,003,886,79</b>	

	<u>6</u>	<u>    </u>	<u>0</u>	<u>6</u>

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# London Borough of Barnet Pension Fund

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



Prepared By:

Andrew Elliott - Senior Investment Consultant  
Mufaddal Jamali - Investment Analyst

For and on behalf of Hymans Robertson LLP  
December 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

Global equity markets rose over the quarter – the FTSE All World index returned 5.1% in local currency terms. In the UK the FTSE 100 rose by 7.1%, boosted by weak sterling and robust UK economic data.

Equities continued to be supported by accommodative monetary policy, although the direction of policy of the major central banks is diverging.

Despite forecasting above-target inflation in the next couple of years, the Bank of England cut interest rates from 0.5% p.a. to 0.25% p.a. and extended its quantitative easing (QE) programme. Responding to intensifying deflation, the Bank of Japan reaffirmed its 2% p.a. inflation target and beefed up its own QE programme. In the US following some signs of flagging economic momentum, the Fed voted (not unanimously) to leave interest rates unchanged in September, but left open the possibility of a rise before the end of the year.

Government bond yields reflected these divergences. 10-year US Treasury yields rose over the quarter as investors priced in an above-evens chance of a rate rise in December. In contrast, the growing expectation that UK rates will not rise for several years saw 10-year gilt yields plunge as low as 0.6% p.a. in August.

UK property valuations, as measured by the IPD Monthly Index, took a post-referendum hit in July. They drifted lower at a more modest rate in August to stand around 4% below year-end levels.

### Valuation and Performance Summary

Fund assets totalled c. £983m at the end of Q3 2016, an increase of c.£45m from the start of the quarter.

The Fund's assets returned 4.8% (gross of fees) over the quarter, outperforming the combined benchmark for the period by 0.5%.

All mandates, other than Newton's absolute return mandate (and excluding passive funds), posted modest to significant outperformance relative to their performance targets. Over the period from the 31 December 2010 to 30 September 2016, the Fund has returned 6.5% p.a. (gross) underperforming the combined benchmark by 1.0% p.a. This is largely due to the Schroder Diversified Growth Fund's underperformance versus its ambitious outperformance target which can be difficult to achieve during volatile market conditions.

### 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
Partners Group	Multi-Asset Credit 2015 Fund	Red	Orange	Yellow	Green	Dark Green
Barings	Global High Yield Credit Strategies Fund	Red	Orange	Yellow	Green	Dark Green
Alcentra	European Direct Lending Fund II	Red	Orange	Yellow	Green	Dark Green
Alcentra	Global Multi-Credit Fund	Red	Orange	Yellow	Green	Dark Green

### Actions and Recommendations

Over the second quarter of 2016, four new mandates were implemented as part of the Fund's move to its new long term investment strategy. The final stage in the move to the Fund's new long term strategic target is for the Committee to agree an additional 5% allocation to another illiquid alternative asset class. In line with this, a training session will be held in early January 2017 to consider the following:

- Investment in infrastructure
- Longer term investment in property
- A relative value assessment of whether some of the Fund's bond assets might be invested more efficiently in other sectors of the market

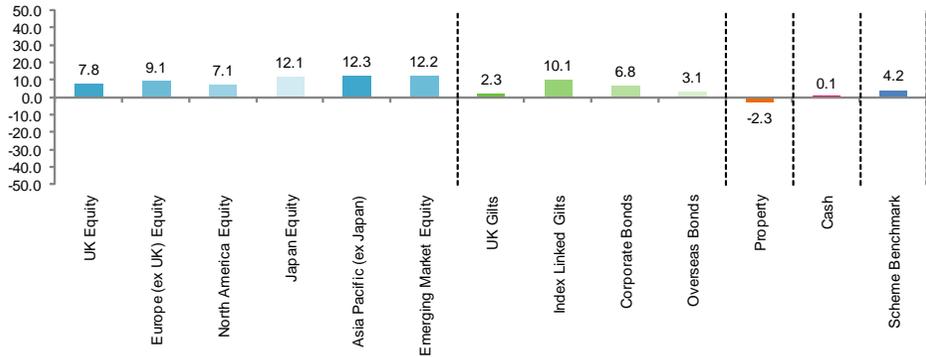
Our actuarial colleagues are currently working on the actuarial valuation of the Fund at 31 March 2016. Once the valuation has been agreed and cashflows are available from this exercise, we recommend that an updated asset liability modelling exercise is carried out to assess whether the Fund's strategy remains on track. This was discussed and agreed in principle at the most recent meeting of the Pension Fund Committee.

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.

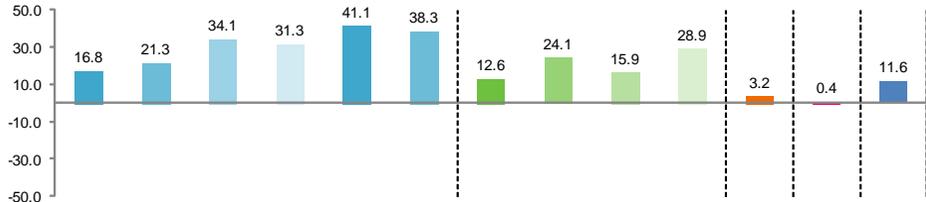
# Historic Returns for World Markets to 30/09/2016

## Historic Returns <sup>[1]</sup> <sup>[i]</sup>

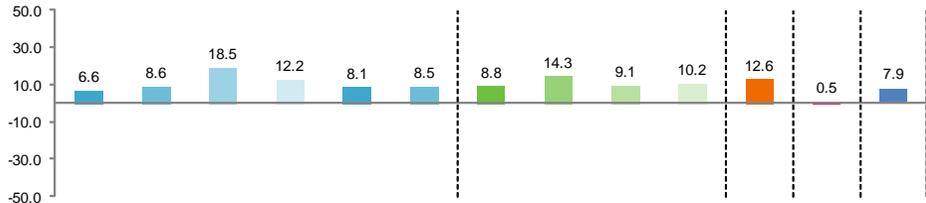
3 Months (%)



12 Months (%)



3 Years (% 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.

Source: [i] DataStream, Fund Manager, Investment Property Databank Limited

## Market Comment

Global equity markets rose over the quarter – the FTSE All World index returned 5.1% in local currency terms. In the UK, the FTSE 100 rose by 7.1%, boosted by weak sterling and robust UK economic data.

Equities continued to be supported by accommodative monetary policy, although the direction of policy of the major central banks is diverging. Despite forecasting above-target inflation in the next couple of years, the Bank of England cut interest rates from 0.5% p.a. to 0.25% p.a. and extended its quantitative easing (QE) programme. Responding to intensifying deflation, the Bank of Japan reaffirmed its 2% p.a. inflation target and beefed up its own QE programme. In the US, following some signs of flagging economic momentum, the Fed voted (not unanimously) to leave interest rates unchanged in September, but left open the possibility of a rise before the end of the year.

Government bond yields reflected these divergences. 10-year US Treasury Bond yields rose over the quarter as investors priced in an above-evens chance of a rate rise in December. In contrast, the growing expectation that UK rates will not rise for several years saw 10-year gilt yields plunge as low as 0.6% p.a. in August.

UK property valuations, as measured by the IPD Monthly Index, took a post-referendum hit in July. They drifted lower at a more modest rate in August to stand around 4% below year-end levels.

### Key events during the quarter included:

- The UK’s manufacturing PMI reached its highest level since June 2014 in September.
- Oil prices rallied at the end of the period as OPEC reached an agreement to cut production. Brent Crude finished the quarter little changed at \$49 per barrel.

### Equities

- The strongest sectors relative to the FTSE All World Index were Technology (+7.6%) and Basic Materials (+4.2%); the weakest were Telecommunications (-6.5%) and Utilities (-7.6%).
- In local currency terms, the UK and Emerging Market equities were the strongest performers during the quarter whilst US equities lagged.

### Bonds and currencies

- UK gilt yields fell (prices rose), with real yields falling further than nominal yields.
- UK investment-grade credit spreads continued to tighten, narrowing to their lowest levels for over a year.
- Sterling continued to weaken against the other major currencies, finishing close to its lowest trade-weighted level since Q1 2009.

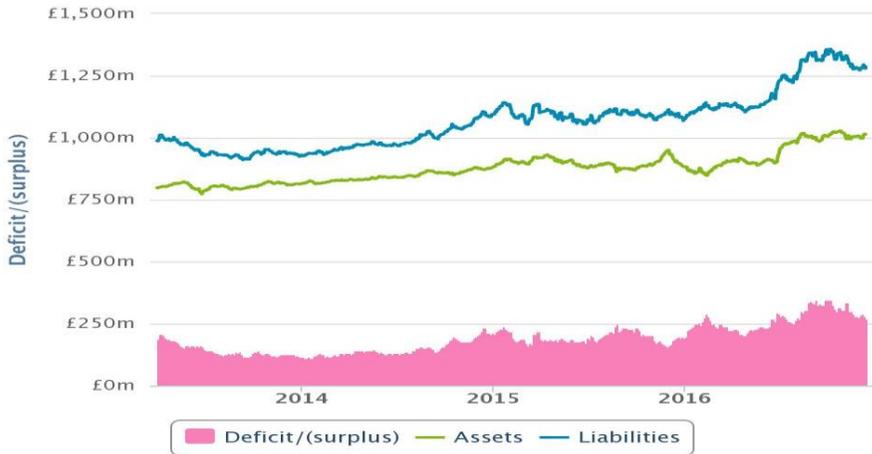


# Funding update

## 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 fallen from c. 61% to c. 59% as at 30 September 2016.

As at 30 September 2016, we estimate that the Fund's deficit on a gilts + 1.6% basis is around £677m, an increase of c. £227m since 31 March 2013.

Since the end of September 2016, we estimate the Fund's funding level (on a gilts + 1.6% p.a. basis) has increased to 63% (as at 12 December 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. This anomaly will disappear once the 2016 actuarial valuation has been agreed.

## Surplus / deficit (on different bases)

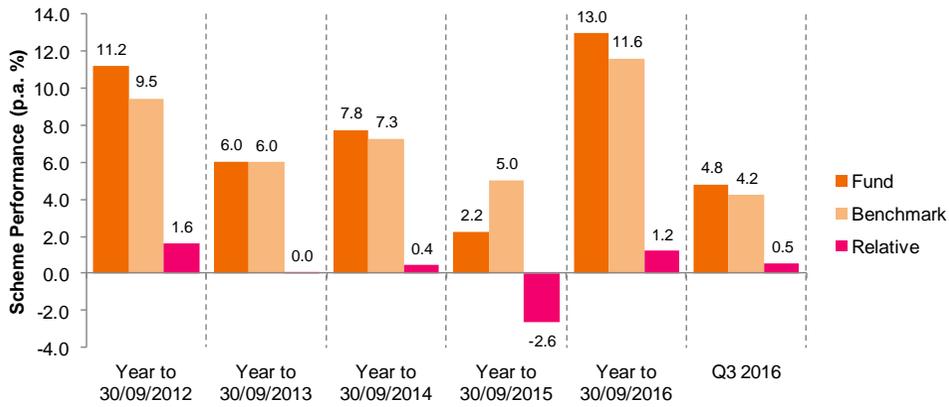


# Fund Summary

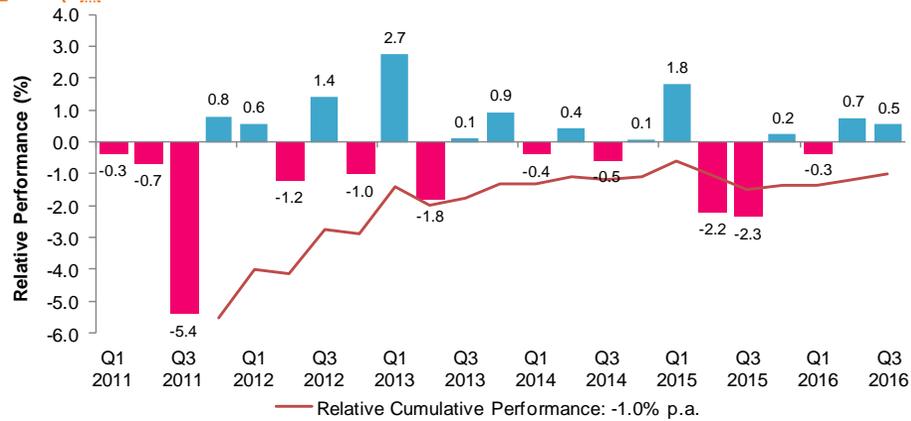
## Valuation Summary <sup>[1] [i]</sup>

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q2 2016	Q3 2016			
Global Equity	359.9	386.1	39.3	36.0	3.3
Absolute Return Funds	271.0	275.3	28.0	27.0	1.0
Multi-Credit	146.4	150.7	15.3	17.0	-1.7
Corporate Bonds	107.6	115.0	11.7	12.0	-0.3
Illiquid Credit	52.6	55.6	5.7	8.0	-2.3
<b>Total Client</b>	<b>937.5</b>	<b>982.7</b>	<b>100.0</b>	<b>100.0</b>	

## Performance Summary (Gross of fees) <sup>[ii]</sup>



## Relative Quarterly and Relative Cumulative Performance (Gross of fees)



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

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	
Alcentra Multi-Credit	Active	£ 3 month LIBOR + 4% p.a.	50	
Newton Real Return Fund	Active	1 month £ LIBOR + 4% p.a.	59	
Schroder Life Diversified Growth Fund	Active	RPI + 5% p.a.	60	
Barings Multi-Credit	Active	£ 3-month LIBOR + 5% p.a.	53	
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	
Alcentra Direct Lending	Active	-	100	
Partners Group MAC 2015	Active	-	73	

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

Key:- - Replace - On-Watch - Retain

### Manager Valuations <sup>[1]</sup> [0]

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q2 2016	Q3 2016			
LGIM Global Equity	359.9	386.1	39.3	36.0	3.3
Alcentra Multi-Credit	30.1	31.2	3.2	3.5	-0.3
Newton Real Return Fund	136.7	137.7	14.0	13.5	0.5
Schroder Life Diversified Growth Fund	134.3	137.6	14.0	13.5	0.5
Barings Multi-Credit	25.9	27.2	2.8	3.5	-0.7
Schroder All Maturities Corporate Bond Fund	107.6	115.0	11.7	12.0	-0.3
Schroder ISF Strategic Bond Fund	90.4	92.3	9.4	10.0	-0.6
Alcentra Direct Lending	17.0	18.6	1.9	4.0	-2.1
Partners Group MAC 2015	35.6	37.0	3.8	4.0	-0.2
<b>Total</b>	<b>937.5</b>	<b>982.7</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

[1] Excludes operating cash held in Fund bank account

Source: [1] Fund Manager, Hymans Robertson



## Performance Summary (Gross of fees)

### Performance Summary <sup>[1]</sup> <sup>[i]</sup>

		LGIM Global Equity	Alcentra Multi-Credit	Newton Real Return Fund	Schroder Life Diversified Growth Fund	Barings Multi-Credit	Schroder All Maturities Corporate Bond Fund	Schroder ISF Strategic Bond Fund	Total Fund
3 Months (%)	Absolute	7.3	4.1	0.8	2.5	5.5	6.9	2.0	4.8
	Benchmark	7.3	1.1	1.1	1.9	1.4	6.0	0.6	4.2
	Relative	0.0	3.0	-0.3	0.6	4.0	0.8	1.4	0.5
12 Months (%)	Absolute	19.4	N/A	11.5	6.5	N/A	16.0	N/A	13.0
	Benchmark	19.4	N/A	4.5	7.0	N/A	14.3	N/A	11.6
	Relative	0.0	N/A	6.6	-0.5	N/A	1.5	N/A	1.2
3 Years (% p.a.)	Absolute	10.8	N/A	5.7	5.2	N/A	9.4	N/A	7.6
	Benchmark	10.8	N/A	4.5	6.7	N/A	8.7	N/A	7.9
	Relative	0.0	N/A	1.1	-1.4	N/A	0.6	N/A	-0.3
Since Inception (% p.a.)	Absolute	9.4	4.7	4.7	4.6	4.9	8.4	1.9	6.5
	Benchmark	9.4	1.9	4.6	7.6	1.7	8.2	2.1	7.6
	Relative	0.0	2.7	0.2	-2.8	3.2	0.2	-0.2	-1.0

[1] Since inception performance includes historic returns generated by managers that are no longer held by the Fund.

Source: [i] DataStream, Fund Manager



## Performance Summary (Net of fees)

### Performance Summary <sup>[1]</sup>

		LGIM Global Equity	Alcentra Multi-Credit	Newton Real Return Fund	Schroder Life Diversified Growth Fund	Barings Multi-Credit	Schroder All Maturities Corporate Bond Fund	Schroder ISF Strategic Bond Fund	Total Fund
3 Months (%)	Absolute	7.2	4.0	0.6	2.4	5.4	6.8	1.9	4.7
	Benchmark	7.3	1.1	1.1	1.9	1.4	6.0	0.6	4.2
	Relative		2.9		0.4	3.9	0.8	1.3	0.5
		0.0		-0.5					
12 Months (%)	Absolute	19.2	N/A	10.8	5.9	N/A	15.8	N/A	12.6
	Benchmark	19.4	N/A	4.5	7.0	N/A	14.3	N/A	11.6
	Relative		N/A			N/A	1.3	N/A	0.8
		-0.1			-1.0				
3 Years (% p.a.)	Absolute	10.6	N/A	5.1	4.6	N/A	9.2	N/A	7.1
	Benchmark	10.8	N/A	4.5	6.7	N/A	8.7	N/A	7.9
	Relative		N/A	0.5		N/A	0.4	N/A	
		-0.1			-1.9				-0.7
Since Inception (% p.a.)	Absolute	9.2	4.5	4.2	4.0	4.8	8.2	1.5	6.1
	Benchmark	9.4	1.9	4.6	7.6	1.7	8.2	2.1	7.6
	Relative		2.6			3.1	0.0		
		-0.1		-0.4	-3.4			-0.6	-1.4

[1] Since inception performance includes historic returns generated by managers that are no longer held by the Fund.

Source:  DataStream, Fund Manager

# 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 October LGIM announced some changes to the standard conditions for its unit-linked pooled life fund insurance policies. We have reviewed these changes and are comfortable that they bring LGIM's conditions into line with industry practice and may provide some marginal benefit to clients in certain pricing scenarios. Clients are not required to take any action in respect of these changes.

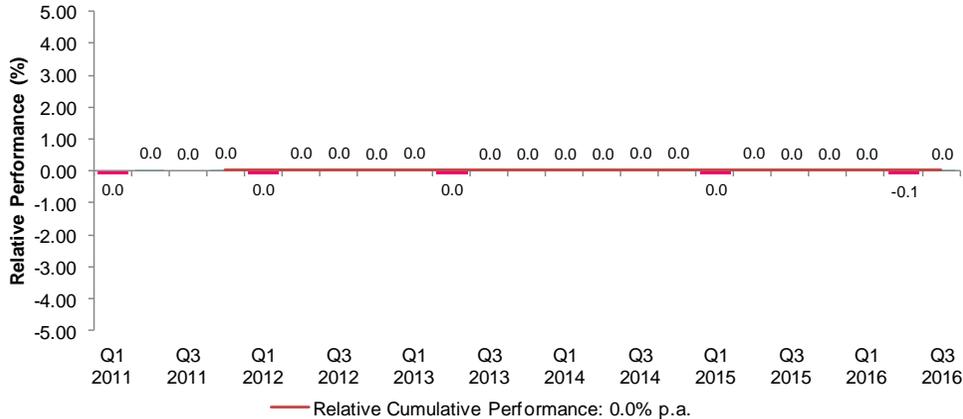
## Fund Commentary

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 third quarter of 2016 was positive for equity markets, with the Fund's overall equity portfolio returning 7.3%, in line with the index as expected of a passive manager.

## Relative Quarterly and Relative Cumulative Performance [i]



## Performance Summary (Gross of fees) [i] [ii]

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	7.3	19.4	10.8	9.4
Benchmark	7.3	19.4	10.8	9.4
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

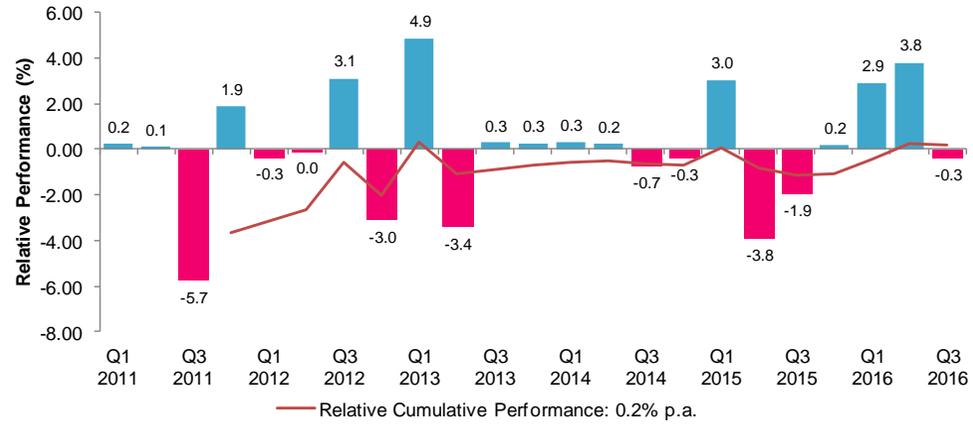
## HR View Comment & Rating



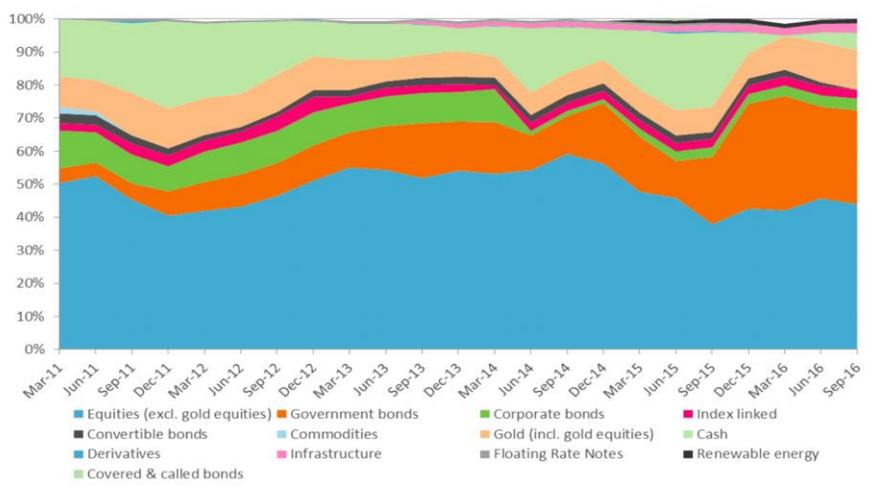
We rate Newton at '5 - Preferred strategy'. The Real Return Fund is an unconstrained multi-asset strategy that seeks to generate a return through both dynamic asset allocation and security specific selection.

In August Newton announced that Helena Morrissey (the current CEO) is moving to the role of non-executive chair on the board of directors. Hanneke Smits has been appointed as the new CEO and the handover is expected to be completed over the next few months (BNY Mellon's Mitchell Harris is acting as interim CEO over the handover period). Smits previously served as CIO of Adam Street Partners and has strong credentials in the private equity area. Although this role is a significant step for Smits given her background, we are comfortable with this change.

## Relative Quarterly and Relative Cumulative Performance (iii)



## Change in asset allocation over time (i)



## Fund Commentary

The Newton fund delivered a positive absolute return of 0.8% over the quarter, slightly behind its performance target of LIBOR + 4% p.a. However, the fund remains well ahead of its performance benchmark over the 1 and 3 year periods.

Over the third quarter the fund's return-seeking core provided the largest contribution to the total return, with equity holdings in the technology, media and industrial holdings performing notably well. The fund's positive return was also founded on strong performance by its government bond exposure, with higher-yielding corporate bond holdings proving beneficial. On the downside currency hedging back to sterling was a cost to the fund as sterling continued to weaken. Derivative protection against the S&P 500 index was also detrimental to returns as were some of the fund's healthcare stocks.

Over the quarter Newton took profits from a number of its equity positions that had produced strong recent returns. With the proceeds, Newton initiated new positions in food and beverage firm Suntry, semi-conductor manufacturer Maxim Integrated and Adecco, an international employment business. Newton also restructured its exposure to commodities/precious metals over the quarter by crystallising some of the profits on the fund's gold mining equities (Newton classify these as commodity holdings rather than equities) with the proceeds used to purchase the physical assets. Newton remains a believer that the current market environment requires a focus on capital preservation rather than the pursuit of short-term gains. Consequently, the fund remains very defensively positioned. Newton expects fundamental analysis will once again come to the fore (as opposed to markets being driven by central-bank interventions) and therefore patience should prove beneficial.

69 Source: (i) Fund Manager, (ii) DataStream, Fund Manager, Hymans Robertson

# Schroder Diversified Growth Fund

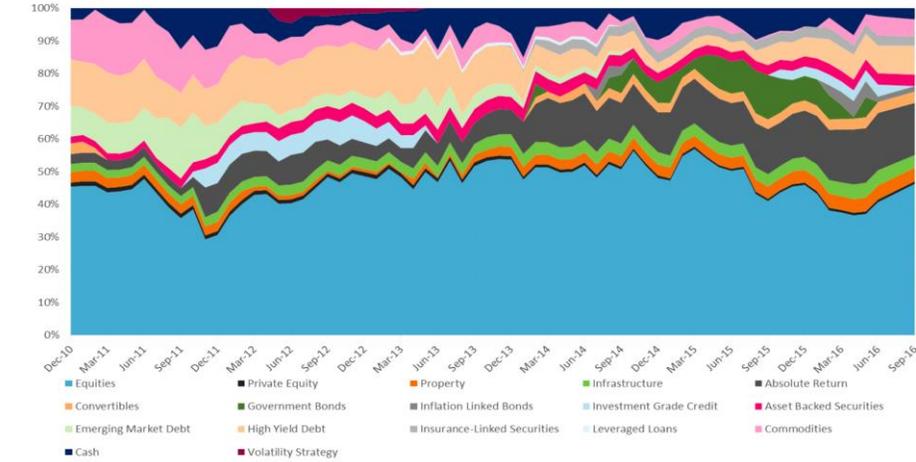
## HR View Comment & Rating



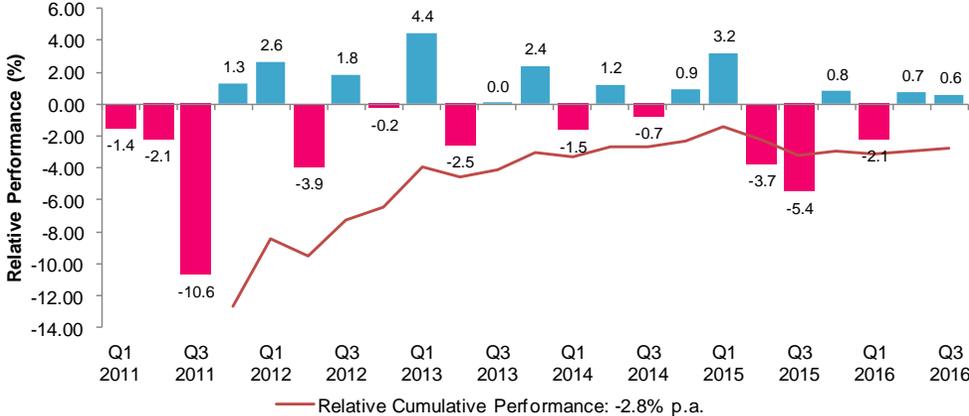
In September 2016 Schroders announced the acquisition of the securitised credit business of Brookfield Investment Management. We believe this is a positive development that can potentially widen the opportunity set at the disposal of the multi-asset team, particularly in asset-backed and mortgage-backed securities.

Following the departure of Nico Marais, Johanna Kyrklund is leading from both an investment and business perspective. Garth Taljard has been brought in from their Hong Kong office to focus on taking some of the business-themed workload off Kyrklund, such as product development. Remi Olu-Pitan, a Portfolio Manager in the DGF, has been promoted to the Global Asset Allocation Committee, replacing Richard Coghlan. We view both of these as positive developments for Schroder and also for the DGF, with clearer accountability for both Kyrklund and Olu-Pitan going forward and allowing Kyrklund to focus on what matters most - delivering on the return objectives for the DGF. We continue to rate the Schroder DGF as '4 - Retain'.

## Change in asset allocation over time [i]



## Relative Quarterly and Relative Cumulative Performance [ii]



## Fund Commentary

Over the third quarter Schroder's DGF posted an absolute return of 2.5%, outperforming its RPI + 5% p.a target by 0.6%. The fund remains behind its performance target over all longer term periods.

Gains were made across the portfolio with positive returns over the quarter with global equities leading the way. Emerging market equities in particular delivered strong returns on the back of global central banks maintaining an accommodative policy - this marked the fund's first significant move into emerging market equities for a number of years as they believe this market has more growth momentum now than its developed peers. The portfolio's fixed income and alternative assets also contributed positively to performance, with the former benefitting from the fall in yields in Europe over the quarter. Currency shifts continue to be a strong driver of equity returns for unhedged UK investors.

Property and commodities slightly detracted from returns over the quarter, as did US treasuries. US bond values fell as investors anticipated a more than likely interest rate hike by the US Fed before the end of the year.

Performance (relative to objectives) has rebounded over the past couple of quarters but continues to lag on a return basis over the long term. The manager has admitted that there needs to be a much heavier reliance on dynamic asset allocation to add value and hit the intended return objective going forward as expected returns from markets will be "lower-for-longer". In the past, their dynamic asset allocation has detracted from returns.

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

## Schroder ISF Strategic Bond Fund

### HR View Comment & Rating



Schroders have announced that Gareth Isaac, portfolio manager in the global multi sector team, is leaving the business. His fund management responsibilities will be assumed by Paul Grainger, senior portfolio manager, working closely with Bob Jolly, Head of Global Macro Strategy. Both Jolly and Grainger report into Phillipe Lespinard, Global Head of Fixed Income. Earlier this year, Schroders made some changes to the structure of the Global Multi-Sector team devoting extra resources to the strategy function under the leadership of Bob Jolly. Jolly subsequently handed over some of his lead manager responsibilities to the fund management function. Schroders also strengthened the team through hiring James Lindsay-Fynn as a portfolio manager based in London and added three senior members to the Credit & Global Fixed Income teams based in New York.

Although we do not explicitly rate the ISF Strategic Bond Fund, we continue to rate Schroders Sterling Corporate Bond Fund a '4 - Retain'.

### Performance Summary (Gross of fees) <sup>[1]</sup>

	3 Months (%)	6 Months (%)	Since Inception* (% p.a.)
Fund	2.0	3.1	1.9
Benchmark	0.6	1.3	2.1
Relative	1.4	1.8	-0.2

\* Inception date 01 Oct 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 Q3 2016 the fund outperformed its performance target of LIBOR + 2% p.a by 1.4%, delivering an absolute return of 2.0%.

Despite market volatility, the initial negative impact from a surprise Brexit vote passed quickly. There was a mixed picture for bond performance across the globe - yields fell in the UK as the Bank of England cut interest rates, remained relatively unchanged overall in the Eurozone, and rose in the US as investors expected the Fed to raise interest rates in December. The most notable contributors to performance were credit and currency strategies, as well as global corporate bonds.

# Barings Global High Yield Credit Strategies Fund

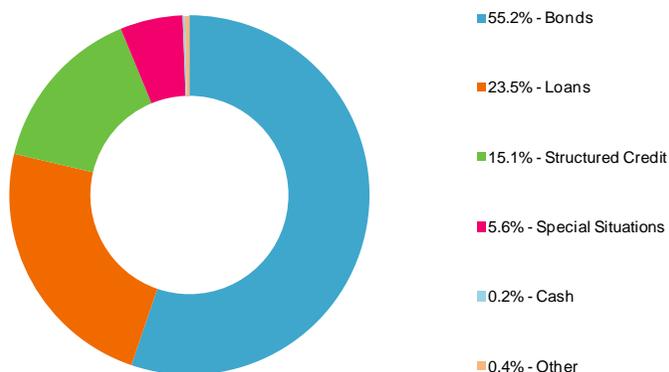
## HR View Comment & Rating



Barings (previously Babson) have been re-instated at '5 - Preferred strategy' having previously being downgraded to '3 - On Watch', following the high profile departures of Zak Summerscale, European CIO and Head of European High Yield and Kam Tugnait, Portfolio Manager for European High Yield.

We have been monitoring the situation at the manager closely over the last six months and have had a number of meetings with the US and European senior investment teams, including meeting with the recent hire Craig Abouchar. We are comfortable that the investment teams remain stable and strong, Craig is a seasoned High Yield investor and the key individuals for the Global High Yield Credit Strategies Fund remain in place, including Martin Horne and Mike Freno, both of whom we rate highly. Asset flows have been net positive over the period and the investment philosophy and process remains unchanged. We have therefore made the decision to move the manager's rating back to "5 - Preferred strategy".

## Asset Allocation <sup>[i]</sup>



## Performance Summary (Gross of fees) <sup>[ii]</sup>

	3 Months (%)	Since Inception* (% p.a.)
Fund	5.5	4.9
Benchmark	1.4	1.7
Relative	4.0	3.2

\* Inception date 10 Jun 2016.

## Fund Commentary

Barings delivered an absolute return of 5.5% over the quarter, outperforming its performance target of LIBOR + 4% p.a. by 4.0%. It is important to note, however, that this sort of performance objective is in line with our long-term expected return for 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.

Performance in the high yield market remained resilient with September marking the eighth consecutive month of positive performance for the asset class. The BoAML Non-Financial Developed Markets High Yield Constrained Index returned 5.3% over the quarter whilst the Global Loan Index returned 3.11%. Strong performance in the high yield market was largely driven by the recovery in commodity-related industries and lower rated credits, with the Energy and Metals & Mining sectors returning over 30% year-to-date.

The top contributors to returns were Peabody Energy, a miner, broker and trader of coal; Constellium, a designer and manufacturer of aluminium products; and Wind, an Italian mobile telecom operator. Notable detractors from returns include Vivarte, a French fashion retailer who restructured in 2014, resulting in the lenders taking control of the company; BrightHouse Group, a leading rent-to-own retail chain in the UK; and AVR, a Dutch waste management company focused on domestic and commercial waste incineration.

# Alcentra Global Multi-Credit Fund

## HR View Comment & Rating



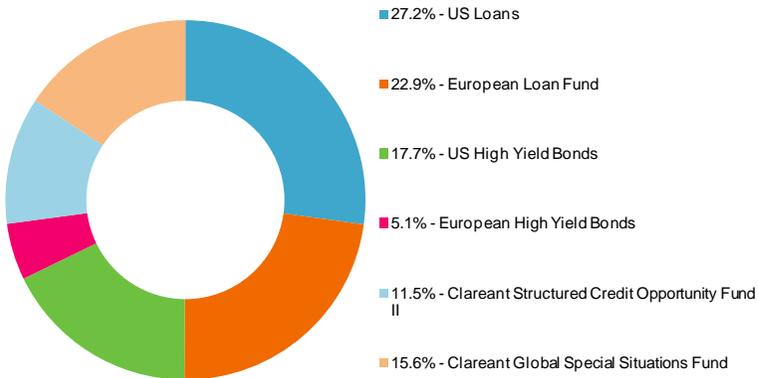
There was no significant business news to report over the quarter to 30 September 2016.

## Performance Summary (Gross of fees) <sup>[iii]</sup>

	3 Months (%)	Since Inception* (% p.a.)
Fund	4.1	4.7
Benchmark	1.1	1.9
Relative	3.0	2.7

\* Inception date 03 May 2016.

## Asset Allocation by Strategy <sup>[i]</sup>



## Fund Commentary

The Fund's allocation to Alcentra's multi-credit fund has made a strong start since inception back in May this year. The third quarter of 2016 was positive across almost the entire sub-investment grade universe with the fund delivering a return of 4.1% for the quarter.

Over the period lack of issuance and strong CLO (collateralised loan obligations) demand drove performance in the US and European loan markets. Further inflows into the US loan market also aided performance whilst the US high yield market benefitted from an improving trend in energy and commodity prices. Only the fund's European high yield allocation detracted from returns which struggled over the quarter due to significant new supply within the sector. As a result of the slight fall in European high yield markets, the manager decided to take the opportunity to marginally increase its allocation to c. 5%, however, this is still the lowest of the manager's allocations due to better relative valuations elsewhere.

As part of the fund's strategy the manager is also able to invest in both Alcentra's Special Situations fund and Structured Credit Opportunity fund. The former focuses on investing in undervalued, sub-investment grade opportunities, primarily in Europe which potentially have higher return targets without a corresponding increase in risk. The latter focuses on accessing CLOs which are tranches of debt securities backed by senior secured loans to US and European corporates. Both of these funds contributed positively to overall fund performance for the quarter.

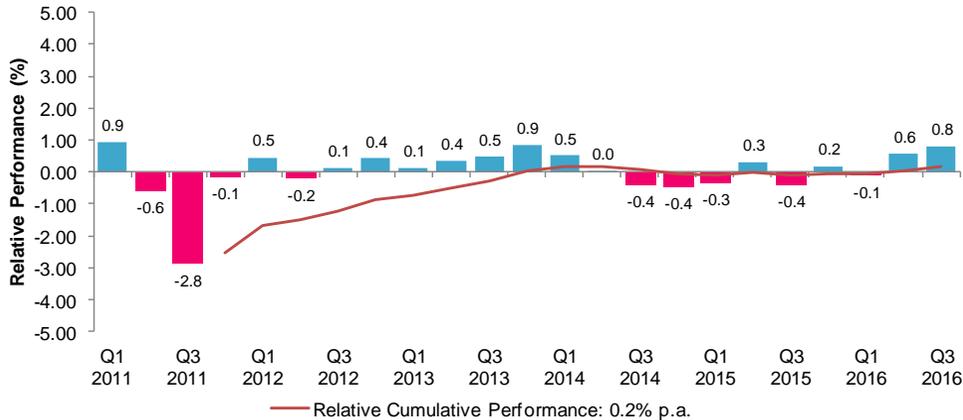
# Schroder Corporate Bond Fund

## HR View Comment & Rating



Please see business comments for Schroders on page 13. We continue to rate Schroders at '4 - Retain'.

## 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 6.9% over the third quarter of 2016, outperforming its benchmark by 0.9%. The inclusion of high quality sterling denominated corporate bonds in the Bank of England's quantitative easing programme led to an increase in their values due to strong demand. On a total return basis, industry, healthcare, and utilities were the main outperformers for the fund, whilst automotive and mortgage-backed securities detracted from performance.

Positive performance over Q3 has continued to improve the fund's longer-term numbers with the fund now ahead over the past 3 years and since inception.

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

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	6.9	16.0	9.4	8.4
Benchmark	6.0	14.3	8.7	8.2
Relative	0.8	1.5	0.6	0.2

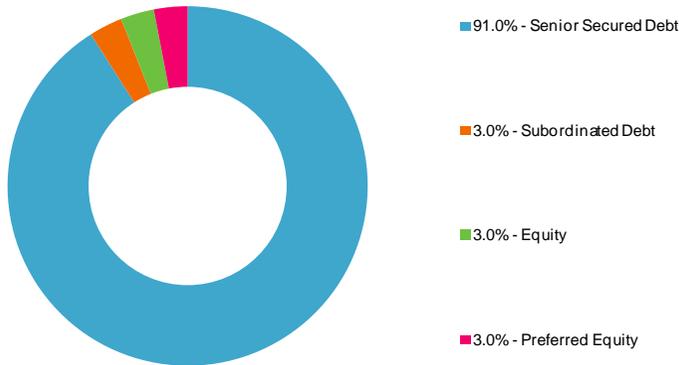
\* Inception date 31 Dec 2010.

# Partners Group Private Market Credit Strategies 2015 Fund

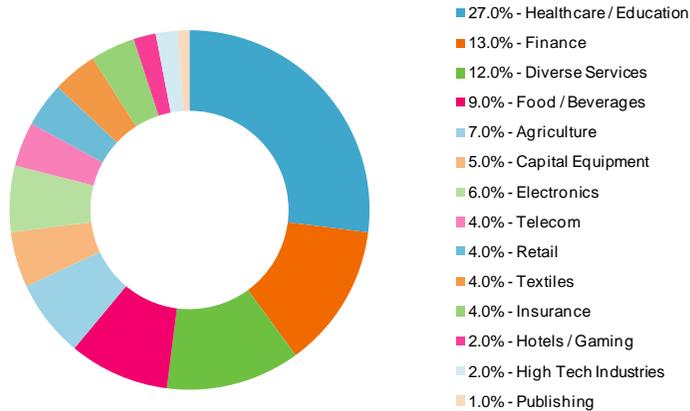
## Fund Summary <sup>(i)</sup>

Fund	Capital Contributed	Total Capital Committed	Percentage of Total Program	Net Asset Value	Value Created	Net Multiple	Net IRR
MAC 2015	£35,000,000	£35,000,000	11.6%	£36,992,905	£1,992,905	1.04x	4.3%

## Asset Allocation <sup>(ii)</sup>



## Sector Allocation <sup>(iii)</sup>

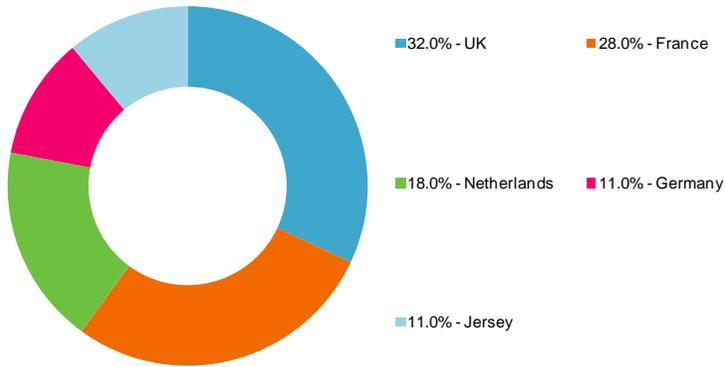


# Alcentra European Direct Lending Fund

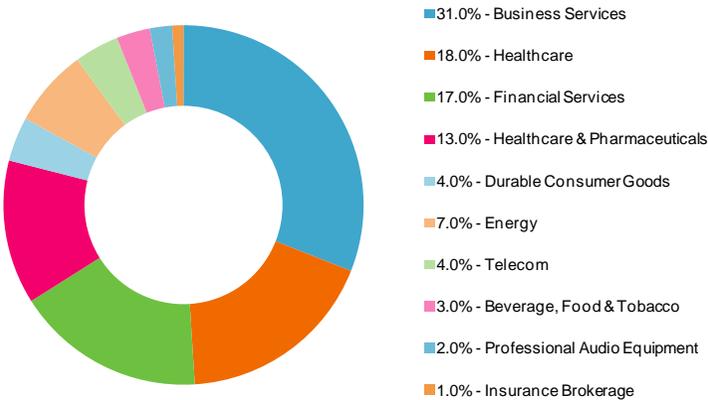
## Fund Summary

Fund	Capital Contributed	Total Capital Committed	Percentage of Total Program	Net Asset Value	Value Created	Net Multiple	Net IRR
EDL II	£17,622,857	£35,000,000	3.1%	£18,581,339	£958,482	1.05x	-

### Geographic Allocation <sup>(i)</sup>



### Sector Allocation <sup>(ii)</sup>



## 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%	<b>0.10%</b>
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	<b>-1.24%</b>
Linked 6 months			-0.25%			0.96%	<b>-1.21%</b>
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	<b>0.34%</b>

#### 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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**Local Pension Board**  
**25 January 2016**

<b>Title</b>	<b>Pension Fund: Admission Body Agreement</b>
<b>Report of</b>	Head of Governance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Annex A – Pension Fund: Admission Body Agreement Appendix A - Pre Amalgamation Deed of Agreement draft
<b>Officer Contact Details</b>	Paul Frost, Governance Officer, Team Leader <a href="mailto:Paul.frost@barnet.gov.uk">Paul.frost@barnet.gov.uk</a> 020 8359 2205

**Summary**

This report encloses the report on Admission Body Agreement that was considered by the Pension Fund Committee on 18 January 2016.

**Recommendations**

**That the Local Pension Board notes the report.**

## **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

## **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 2016.

### **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>Pension Fund Committee</h2> <h3>18 January 2017</h3>
<b>Title</b>	<b>Pension Fund: Admission Body Agreement</b>
<b>Report of</b>	Interim Chief Executive Officer/Section 151 Officer
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A - Pre Amalgamation Deed of Agreement draft
<b>Officer Contact Details</b>	Iain Millar, Head of Treasury, Customer Support Group, <a href="mailto:iain.millar@barnet.gov.uk">iain.millar@barnet.gov.uk</a> 0208 359 7126

<h2>Summary</h2>
<p>This report recommends that the Committee approves the admission into the pension fund of an amalgamated body formed between an existing admitted body (Viridian) and AmicusHorizon. The amalgamation has not yet taken place. However, in order for the new body to become an admitted body pre and post amalgamation deeds of agreement (the Deeds) between the Barnet Council and Viridian need to be finalised.</p>

<h2>Recommendations</h2>
<ol style="list-style-type: none"> <li>1. That the Pension Fund Committee approves, subject to amalgamation taking place, the admission into the Pension Fund of a body formed following the amalgamation of Viridian and AmicusHorizon.</li> <li>2. That the Pension Fund Committee delegates to the Section 151 officer:                     <ul style="list-style-type: none"> <li>• To approve the pre and post amalgamation deeds of agreement between the London Borough of Barnet as administering authority for the London Borough of Pension Fund and Viridian Housing a registered provider</li> </ul> </li> </ol>

**3. That the Pension Fund Committee note the requirement of the amalgamated company to provide a bond for the admitted body.**

**1. WHY THIS REPORT IS NEEDED**

- 1.1 Viridian is an admitted employer in the Barnet LPS Pension Fund. Amiscus Horizon and Viridian are in advanced negotiations to form a new group structure by 31<sup>st</sup> March 2017.
- 1.2 It is anticipated that, subject to all relevant approvals and consents being obtained, Viridian Housing will initially become a subsidiary of Amicus Horizon (Stage 1). Stage 1 will have no consequence on Viridians admission to the pensions scheme.
- 1.3 The next stage (Stage 2) would be the amalgamation of Amiscus Horizon and Viridian. In essence, both organisations are seeking to ensure that by combining, no material pensions liability will crystallise in any pension scheme and the ongoing Admission Agreement shall continue as if it were between the new amalgamated company and Barnet Council. The name of the new company has yet to be decided.
- 1.4 A statutory amalgamation is effectively the coming together of two or more registered societies by a special resolution of each society, together forming one registered society. The effect of a statutory amalgamation on the amalgamating societies is that the property (assets and liabilities) of each amalgamating society vests in the post-amalgamation society without the need for any conveyance
- 1.5 The impact of a statutory amalgamation on pensions is that the current Admission Agreement would continue and no pension liability will crystallise. As such, the Admission Agreement would simply vest in the new society and Regulation 64 of the Local Government Pensions Scheme Regulations 2013 would not apply (requirement of an exit payment from an exiting scheme employer).
- 1.6 To ensure transparency and clarity of this arrangement, the Council will enter into a legal agreement with Viridian confirming this arrangement which reflects the fact that Viridian's liabilities and obligations will vest in the new company.
- 1.7 As the new company will take on the existing admission agreement it will effectively become an admitted body. Therefore, this report is needed to approve its admission. In order for this to take effect Deeds of Agreement are required to transfer a Pension Fund admission agreement on the merger of two registered housing providers to ensure continuity of pension obligations and to admit the new admitted body to the pension scheme subject to amalgamation.

## **2. REASONS FOR DECISIONS**

- 2.1 Viridian Housing, an admitted body of the London Borough of Barnet Pension Fund is merging with Amiscus Horizon to form a new amalgamated company. The amalgamation has not yet taken place
- 2.2 This report is to approve pre and post-amalgamation deeds of agreement between the Barnet Council and Viridian Housing. The deeds confirm that on amalgamation the new company will enter into an admission agreement with the LB Barnet Pension Fund and provide a bond.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 3.1 No other options applicable

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The Deeds will be signed and sealed and the decision will be reported to Pension Fund Committee.

## **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 The actuary will set the bond levels required for the admitted body which will act as guarantee for the Pension Fund liabilities.

### **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 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 admitted 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 to 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 bonds (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 to 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 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

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**Dated**

**2017**

**THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF BARNET**  
**(in the capacity of administering authority of the London Borough of Barnet Pension**  
**Fund)**

**And**

**VIRIDIAN HOUSING**

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**PRE AMALGAMATION DEED OF AGREEMENT**

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This Deed is made on **2017** between:

- (1) **The Mayor and Burgesses of the London Borough of Barnet** of North London Business Park, Oakleigh Road South, London, N11 1NP (the "**Administering Authority**"); and
- (2) **Viridian Housing** a registered society under the Co-operative and Community Benefit Societies Act 2014 (registered number 12752R) with registered address Colwell Housing, 376 Clapham Road, London, SW9 9AR (the "**Registered Provider**").

## **Background**

1. The Registered Provider and Middlesex University Higher Education Corporation entered into a contract for the Registered Provider to manage university accommodation on behalf of Middlesex University Higher Education Corporation with effect from 21 April 2006 (the "**Contract**"). Middlesex University Higher Education Corporation was an admitted employer in the Pension Fund as run by the Administering Authority in accordance with 2 below. Pursuant to the terms of the Contract, the parties to the Contract and the Administering Authority entered into an Admission Agreement.
2. The Administering Authority is an administering authority within the meaning of the Local Government Pension Scheme Regulations 2013 (as amended from time to time) and any other regulations from time to time applicable to the Local Government Pension Scheme (the "**Scheme**") (the "**Regulations**") and administers the Scheme and maintains the London Borough of Barnet Pension Fund (the "**Pension Fund**"). The Registered Provider (under its previous name of Servite Houses) was admitted to the Scheme and the Pension Fund under an admission agreement dated 21 April 2006 (the "**Admission Agreement**") in the form attached at Schedule 1.
3. Section 109 of the Co-operative and Community Benefit Societies Act 2014 ("**the Act**") (amalgamation of societies) provides that any two or more registered societies may by special resolution of each of those societies become amalgamated together as one society, with or without any dissolution or division of the funds of those societies or any of them; and the property, of each of those societies shall become vested in the amalgamated society without the need for any form of conveyance other than that contained in the special resolution.
4. It is intended that the Registered Provider will, subject to all relevant consents being obtained, merge with AmicusHorizon Limited by way of an amalgamation under

section 109 of the Act (the “**Amalgamation**”) which shall not be effective before [31 March 2017] (the “**Amalgamation Date**”). Neither the Registered Provider nor AmicusHorizon Limited or their funds shall be dissolved or divided by reason of the Amalgamation and the effect of the Amalgamation will be to create a new registered society within the meaning of the Act (“**[insert name of NewCo<sup>1</sup>]**”).

5. As a result of this Amalgamation, all of the real and personal property, assets and choses in action of each of the Registered Provider and AmicusHorizon Limited shall become vested in **[insert name of NewCo]** without the need for any form of conveyance or transfer other than that contained in special resolutions, a draft of which in respect of the Registered Provider is attached at Schedule 2. All of the liabilities (actual, contingent and prospective) of the Registered Provider and AmicusHorizon Limited immediately before the Amalgamation Date (including without limitation all of the liabilities of the Registered Provider arising under the Admission Agreement) will vest in **[insert name of NewCo]** and the Admission Agreement will continue and have effect as between **[insert name of NewCo]** and the Administering Authority.

#### **Entry into Post amalgamation Deed of Agreement**

6. The parties agree that, on or after the Amalgamation Date, the Administering Authority and **[insert name of NewCo]** shall enter into the Post amalgamation Deed of Agreement in the form attached at Schedule 3 to this Deed to confirm their understanding as to the legal effect of the amalgamation. In doing so, the parties agree that the Admission Agreement shall be treated for all purposes as if it were and had been at all times made between the Administering Authority and **[insert name of NewCo]**. **[insert name of NewCo]** shall assume all rights, obligations and liabilities that the Registered Provider would otherwise have or have had under the Admission Agreement.
7. Nothing in this Deed shall affect or prejudice any claim or demand that the Administering Authority may have against the Registered Provider under or in connection with the Admission Agreement with respect to matters occurring before the Amalgamation Date. In respect of any matters arising on or after the Amalgamation Date, the Registered Provider will by virtue of the Amalgamation have become **[insert name of NewCo]** and will be liable as provided for by the terms of this Deed.

This Deed has been executed and delivered as a Deed by the Administering Authority and the Registered Provider on the date stated at the beginning of this Deed.

The common seal of the  
Mayor and Burgesses of the  
London Borough of Barnet was

---

<sup>1</sup> Has not yet been decided

affixed to this deed in the  
presence of

Authorised by:

Authorised signatory

Executed as a deed by affixing  
the Common Seal of: Viridian  
Housing

in the presence of:

Authorised signatory

Authorised signatory

**Schedule 1**

Admission Agreement

**Schedule 2**

**Draft special resolution**

**Schedule 3**  
**Post Amalgamation Deed**

**THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF BARNET**

**and**

**[insert name of NewCo]**

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**POST AMALGAMATION DEED OF AGREEMENT**

---

This **DEED** is made on    day of                    2017

**BETWEEN:**

1. **The Mayor and Burgesses of the London Borough of Barnet** of North London Business Park, Oakleigh Road South, London, N11 1NP in its capacity as administering authority of the Pension Fund (the “**Administering Authority**”); and
2. .... [ Amalgamated Body]

**BACKGROUND**

- a) The Mayor and Burgesses of the London Borough of Barnet is the Administering Authority within the meaning of the Local Government Pension Scheme Regulations 2013 (“**the Regulations**”) at Part 1 of Schedule 3 and administers and maintains the London Borough of Barnet Pension Fund (“**the Pension Fund**”).
- b) On [INSERT DATE.] (“the **Amalgamation Date**”) Viridian Housing and AmicusHorizon Limited amalgamated (without legal dissolution) pursuant to section 109 of the Co-operative and Community Benefit Societies Act 2014 (“the **Act**”) to form [**insert name of NewCo**], a new registered society under the Act (the “**Amalgamation**”), as exhibited by the resolutions in Appendix 2. Neither Viridian Housing nor AmicusHorizon Limited nor their funds were dissolved or divided by reason of the Amalgamation. As a result of the Amalgamation, the property (real, personal and choses in action), assets and liabilities of Viridian Housing and AmicusHorizon Limited became vested in [**insert name of NewCo**].
- c) Viridian Housing was admitted to the Pension Fund under an Admission Agreement dated 21 April 2006 in the form attached at Appendix 1.
- d) The parties enter into this Post Amalgamation Deed of Agreement to confirm their understanding that from and including the Amalgamation Date, [**insert name of NewCo**] will as a consequence of the Amalgamation become responsible for the past service liabilities, share of the assets and liabilities of Viridian Housing in the Pension Fund as provided for by the Admission Agreement. As such, on and from the Amalgamation Date, all liabilities and obligations of Viridian Housing under the Admission Agreement will become liabilities and obligations of [**insert name of NewCo**] and the obligations of the Administering Authority as provided for by the Admission Agreement shall also continue.
- e) This Post Amalgamation Deed of Agreement confirms the understanding and arrangement that has been agreed between the parties.

**NOW IT IS HEREBY AGREED** as follows:

1. From (and including) the date of the Amalgamation, the Admission Agreement shall be treated for all purposes as if it were and had been at all times made between the Administering Authority and **[insert name of NewCo]**. **[insert name of NewCo]** shall assume all rights, obligations and liabilities and agrees to perform the Admission Agreement and be bound by its terms in every way as if it were the original party to it in place of Viridian Housing and the rights and obligations of the Administering Authority as set out in the Admission Agreement will continue.
2. For the avoidance of doubt, this Post Amalgamation Deed of Agreement shall not be treated as terminating the Admission Agreement, which shall be treated as continuing as modified in accordance with this Deed.
3. This Post Amalgamation Deed of Agreement shall be governed by and construed in accordance with English Law and the parties hereby submit to the exclusive jurisdiction of the English Courts.
4. No party other than the parties to this Post Amalgamation Deed of Agreement save for Viridian Housing shall have any rights hereunder and the provisions of the Contracts (Third Party Rights) Act 1999 are hereby excluded.

This Deed has been executed and delivered as a Deed by the Administering Authority and **[insert name of NewCo]** on the date stated at the beginning of this Deed.

The common seal of  
**the Mayor and Burgesses of the  
London Borough of Barnet** was  
affixed to this deed in the  
presence of

Authorised by:

Authorised signatory

Executed as a deed by affixing  
the Common Seal of: **[insert  
name of NewCo]**

in the presence of:

Authorised signatory

Authorised signatory

**Appendix 1**

Admission Agreement

**Appendix 2**  
Special Resolutions

	<h2>Local Pension Board</h2> <h3>25 January 2016</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Pension Fund Actuarial Review</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Head of Governance</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Annex A – Pension Fund Actuarial Review                  Appendix 1 – Hymans Robertson LLP2016 Formal Valuation – Setting the Funding Target</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Paul Frost, Governance Officer, Team Leader  <a href="mailto:Paul.frost@barnet.gov.uk">Paul.frost@barnet.gov.uk</a>                  020 8359 2205</p>

<h3>Summary</h3>
<p>This report encloses the report on Pension Fund Actuarial Review that was considered by the Pension Fund Committee on 18 January 2016.</p>

<h3>Recommendations</h3>
<p><b>That the Local Pension Board notes the report.</b></p>

## **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

## **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 2016.

### **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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	<p><b>Pension Fund Committee</b> <b>18 January 2017</b></p>
<b>Title</b>	<b>Pension Fund Actuarial Review</b>
<b>Report of</b>	Interim Chief Executive Officer and Section 151 Officer
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix 1 – Hymans Robertson LLP:2016 Formal Valuation – Setting the Funding Target
<b>Officer Contact Details</b>	Iain Millar <a href="mailto:iain.millar@barnet.gov.uk">iain.millar@barnet.gov.uk</a> 0208 359 7126

### Summary

The purpose of this report is to inform the Pension Fund Committee of the assumptions to be used by the actuary, Hymans Robertson, to set the funding target in preparing the 2016 actuarial valuation and of the changes in assumptions from the 2013 actuarial valuation.

### Recommendations

- 1. That the actuarial assumptions to be used in the 2016 actuarial valuation of the Pension Fund be noted.**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The purpose of this report is to present the Pension Fund Committee with the assumptions used in preparing the 2016 actuarial valuation and the changes from the 2013 actuarial valuation. The final report will be presented to the next Pension Fund Committee in March 2017.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 It is a regulatory requirement of the Local Government Pension Scheme that the administering authority instructs the actuary to undertake a triennial valuation. The main purpose of the valuation is to review the financial position of the Fund and to determine the minimum rate at which the employers of the Fund should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the Fund.
- 2.2 Hymans Robertson LLP was appointed to provide actuarial services to the LB Barnet Pension Fund, following a tender exercise using the National Local Government Pension Scheme Framework for Actuarial and Benefit Consultancy Services. The contract started on 1 April 2016.
- 2.3 The primary purpose of the figures produced as part of the triennial valuation is for “budgeting” or setting the future levels of employer contributions payable to the Fund.
- 2.4 The previous valuation of the fund was undertaken by the previous actuaries, Barnett Waddingham as at 31 March 2013 and showed that the past service funding level of the Fund as a whole has increased from 76% to 79% between 31 March 2010 and 31 March 2013. The contribution rate for the average employer, including payments to target full funding (100%), increased from 23.5% to 24% of pensionable pay.
- 2.5 The London Borough of Barnet pool contribution rate is based on a deficit recovery period of 18 years (previously 13 years). The LB Barnet employer pool contribution rate had increased from 24.8% in 2010 to 25.8% in 2013, a combination of 13% minimum employer contribution and a minimum annual lump sum (£9.548 million in 2016/17).
- 9.7 The actual contribution rate for 2016 will differ for each scheduled and admitted body. The main reasons for variations in individual results are due to differences in:-
- Maturity profile of members;
  - Experience of employers since 2013 including mortality rates, salary increases, early retirements and workforce changes.

### **3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable. The actuarial valuation of the Pension Fund is a statutory requirement.

### **4 POST DECISION IMPLEMENTATION**

- 4.1 The results of the 2016 actuarial valuation will be reported to Pension Fund Committee in March 2017. Employers will be informed of any change in employer contribution rates, which will be applied from 2017/18.

### **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 in providing better services, with less money.

- 5.1.2 The objectives of the Pension Fund Funding Strategy Statement include ensuring the long term solvency of the fund and identification of the share of the Fund attributable to individual employers.

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

- 5.2.1 The recommended minimum employer contribution rate will be incorporated into the draft budget and any variation agreed by the committee will impact on the draft budget.

- 5.2.2. There are no procurement, performance and value for money, staffing, IT, Property or Sustainability implications.

#### **5.3 Social Value**

- 5.3.1 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to it.

#### **5.4 Legal and Constitutional References**

- 5.4.1. This report is based on the on the provisions of (i) the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme Regulations (Transitional Provisions , Savings and Amendments) Regulations 2014 which have their basis in the Superannuation Act 1972.

- 5.4.2 As a local authority, the Council's employees have the right to be members of the Local Government Pension Scheme and, therefore, the Council is statutorily required to make employer contributions.

- 5.4.3 The Council's Constitution – Part 15, Annex A, Responsibility for Functions details the responsibilities of the Committee. The Council's Constitution, Part

3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, empowers the Pension Fund Committee to “approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.”

5.4.4 The terms of reference of the Pension Fund Committee include consideration of actuarial valuations and their impact on the Pension Fund.

## **5.5 Risk Management**

5.5.1 The accuracy of the valuation relies on the accuracy of the data provided to the actuaries. Any errors in the provision of the data could have a significant impact on the required contribution rates, particularly for the smaller scheduled and admitted bodies. This risk has been mitigated by a thorough review of the data by officers and a series of reasonableness and data integrity tests applied by the actuary.

5.5.2 The value of the Pension Fund assets at any point in time is determined by the market and a large movement in the markets could have a significant impact on the surplus or deficit of the fund.

## **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 all those eligible, as provided by the criteria set out within the relevant Regulations.

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.

## **6 BACKGROUND PAPERS**

6.1 None

## 2016 Formal Valuation: Setting the Funding Target

### Executive Summary

The London Borough of Barnet Pension Fund ("the Fund") will undertake a triennial valuation as at 31 March 2016. The valuation is a statutory requirement of the Regulations<sup>1</sup> which facilitates a health check of the Fund against an appropriate funding target and a review of its funding plan. In order to carry out the valuation, actuarial assumptions are required to set an appropriate funding target.

The assumptions are informed estimates about future experience and therefore, over time they may need to be updated to reflect emerging evidence and changes in the regulatory and environmental background. Ahead of the 2016 valuation, we have carried out analysis to help set the assumptions used to set the funding target. The 2016 assumptions and reasoning are summarised below. Please note that these are influenced by the change in actuarial advisor from Barnett Waddingham to Hymans Robertson LLP.

Assumption	2013 assumption	2016 assumption	Reason for change
Discount rate <sup>2</sup> <ul style="list-style-type: none"> <li>- Methodology</li> <li>- AOA</li> </ul>	Weighted average of assumed future investment returns	Gilts plus 1.6%	Change in approach from change of actuarial advisor
Pension Increases <ul style="list-style-type: none"> <li>- RPI-CPI gap</li> </ul>	CPI = RPI – 0.8%	CPI = RPI – 1.0%	Increased gap due to emerging evidence
Salary increases <ul style="list-style-type: none"> <li>- Inflationary</li> </ul>	2 years at CPI then RPI + 1.0%	RPI – 0.7%	Continued public sector pay restraint, closure of final salary scheme to accrual of new benefits
Longevity <ul style="list-style-type: none"> <li>- Baseline</li> <li>- Future Improvements</li> </ul>	110% of S1PA tables 2012 CMI model with long term rate of improvements of 1.5% p.a.	Club Vita analysis 2013 CMI model, peaked improvements, long term rate of improvements of 1.25% p.a.	Change to baseline as Fund is now a Club Vita subscriber  Updated CMI model for future improvements
Withdrawal	Reflects recent LGPS experience		
Ill health retirements	Reflects recent LGPS experience		
Promotional salary increases	Removed distinction between genders and extended increases up to age 50 to reflect national trends and equal pay commitments		
50:50 take up option	10%	5%	Reduced to take account of emerging experience
Commutation	No proposed change from 2013 valuation assumption		
Pre-retirement mortality	Reflects recent LGPS experience		
Proportions married	80% / 70% of males / females at retirement	85% / 90% of males / females at age 65	Change to Hymans LGPS assumption

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### Addressee and Purpose

This paper has been commissioned by the London Borough of Barnet in its capacity as Administering Authority to the London Borough of Barnet Pension Fund ("the Fund"). It has been prepared by Hymans Robertson LLP in our capacity as actuaries to the Fund.

The purpose of this paper is to inform the Pensions Committee of the assumptions to be used to set the funding target for the Fund's formal valuation as at 31 March 2016.

### Background

Pension schemes exist to pay benefits earned by their members during their years of eligible service. In the LGPS, the scheme is split into separate funds which pay benefits earned by employees of participating employers. The London Borough of Barnet Pension Fund is one such fund. The actual cost of paying all the benefits cannot be known with certainty until the final benefit payment is made to the last remaining member. In funded schemes, like the LGPS, the benefits must be paid for out of funds set aside in advance. In order to determine how much money to set aside, it is therefore necessary to make assumptions about the level of the benefits and the returns that will be achieved on the Fund's assets (financial assumptions) and when benefits will be paid to members (demographic assumptions). These assumptions are agreed by the officers based on advice from its actuary and are used to set the funding target.

The Fund will undertake a triennial valuation as at 31 March 2016. The valuation is a statutory requirement of the Regulations<sup>1</sup> which facilitates a health check of the Fund against an appropriate funding target and a review of its funding plan. In order to carry out the valuation, actuarial assumptions are required to set an appropriate funding target.

The assumptions are informed estimates about future experience and therefore, over time they may need to be updated to reflect emerging evidence and changes in the regulatory and environmental background. Ahead of the 2016 valuation, we have carried out a review of the assumptions used by Barnett Waddingham to set the funding target at the 2013 valuation. The results of our review are summarised below. Where we have suggested a change in assumption from 2013 we have also noted the reason.

The following sections examines the main financial and demographic assumptions in detail.

### Financial assumptions

Broadly speaking, financial assumptions relate to the level of benefits (i.e. the amount in £) when they are in payment and their equivalent value in today's terms.

#### Discount rate

The discount rate is the name given to the assumed rate of investment returns that the Fund will achieve in the long-term. It determines the money or assets needed today such that future investment returns and contributions will be sufficient to pay members' benefits.

Whilst considering the discount rate, the Fund should always consider:

- How likely are the Fund's assets able to return the rate assumed in the discount rate over the long term?
- Does the choice of discount rate tie up with the Fund's objectives and level of investment risk?
- Does the discount rate reflect the changing nature of the Fund?

Based on analysis we have carried out, the officers have decided to set the discount rate equal to the long-dated UK government bond yield (fixed interest) at 31 March 2016 plus an asset out performance assumption of 1.6%.

<sup>1</sup> Local Government Pension Scheme Regulations 2013.

<sup>2</sup> See Appendix A for full details of the analysis underlying the recommendation.

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This is a change in approach to setting the discount rate from the 2013 valuation, from a weighted average of assumed future investment returns to a gilts plus approach.

The paper previously provided to the officers containing Fund-specific modelling, results and reliances and limitations is available on request.

**Inflation / pension increases**

LGPS benefits increase each year in line with the Consumer Prices Index (“CPI”) measure of inflation, which is therefore a key financial assumption for the valuation. The best way to measure future financial values is to use information from the financial markets. As no market in CPI linked bonds exists, we calculate the market-implied value of future RPI (“Retail Price Inflation”) increases and adjust it downwards to get an assumption for CPI.

The two main differences between RPI and CPI are:

- The ‘basket’ of goods that each measure is based on (e.g. CPI doesn’t include mortgage payments and RPI doesn’t include the cost of new cars); and
- The ‘formula effect’ which is related to the way the index is calculated from the price changes of the goods in the basket.

At the 2013 valuation, CPI was assumed to be 0.8% less than RPI. At the 2016 formal valuation we are proposing to increase this long-term gap between RPI and CPI to 1.0% p.a. The main reason for the increase in this assumption is the steady increase in the formula effect over the last few years, as monitored and published by the Office for National Statistics on a regular basis. The chart below shows this increase:



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### Salary increases

All benefits accrued prior to 1 April 2014 are linked to the member's final salary before they leave active service. In calculating the cost of these benefits, it is therefore important to estimate the increase in salaries for active members until they leave active service.

Over recent years, annual pay growth in the public sector has in general been lower than the rate of inflation. In addition, the government has stated that public sector pay growth will be no more than 1% p.a. over the next four years (essentially until 31 March 2020). With members' benefits being linked to their salary at retirement, the salary increase assumption, is derived on a long term view of future salary increases. However, with the introduction of CARE benefits for service earned after 1 April 2014, the final salary element of the Fund's liabilities will gradually lose its importance in future years, as the final salary benefits run off and come in to payment.

The salary increase assumption that we will use for the 2016 valuation of the Fund is 1% p.a. until 2020 then RPI going forward: this was agreed after discussion with the Fund's officers. Taking these factors into account and assuming that half of the Fund's liabilities remain linked to final pay come 2020, the assumption can be expressed as a single blended long term rate of RPI less 0.7%.

### Demographic assumptions

Broadly speaking, demographic assumptions relate to the timing of benefits, i.e. when they start and for how long they are paid.

### Longevity

Of all the demographic factors, longevity is the one that presents the greatest uncertainty. As the Fund is now a subscriber to Club Vita it will benefit from a greater understanding of longevity risk, in particular the specific risk relative to its own members.

There are two components when setting an assumption for longevity:

- 1 How long people live for based on current observed life expectancies ('baseline longevity'); and
- 2 An allowance for possible future improvements to longevity ('future improvements').

We proposed a change to methodology for the 2016 valuations in the form of a move away from the standard SAP tables to ClubVita which, based on their analysis of LGPS Funds and the London Borough of Barnet Pension Fund in particular, sets a bespoke longevity assumptions for the Fund's membership. Details of the underlying tables and model adopted will be discussed with the Officers in due course.

The Fund should note we advocate a long-term approach to funding for longevity improvements in assessing the contributions payable by employers in the Fund. This is a "wait and see" approach: in other words, the assumption adopted for future improvements is not as prudent as most private sector schemes would adopt but is, we believe, a best estimate. This is the most appropriate as:

- The longevity risk faced by funds is mitigated in part by the link between Normal Retirement Age to State Pension Age for future service benefits (which in turn, is expected to increase in the future in line with increases in life expectancy);
- The LGPS 'employer cost cap' is expected to include longevity as a cost control mechanism, thus mitigating the impact of future longevity improvements; and

Local authority funds have a long term time horizon over which to fund improvements in longevity if they emerge.

We will continue to review the appropriateness of this assumption at future valuations.

### Other demographics

The starting point for our proposed 2016 valuation assumptions was to analyse past experience over 2010 to 2013 for all the LGPS funds Hymans Robertson advises (40 funds in England & Wales). We use such a large

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data set to give us a big enough sample size for our analysis to be statistically credible. Some of the experience we analyse is rare, therefore we need a sufficiently large number of events to enable sound analysis.

Assumptions for withdrawals (excluding ill health), ill health early retirements, promotional salary scale, promotions married and pre-retirement mortality have been set to reflect emerging experience. Each of these assumptions will also reflect a small change due to the change in actuarial advisor in the inter-valuation period.

The assumption for commutation is unchanged from the 2013 valuation.

**50:50 take-up option**

From 1 April 2014, members have been able to elect to pay half the standard level of contributions for half the accrued benefit (i.e. an accrual rate of 1/98). This benefit is known as the *50:50 benefit*.

At the 2013 valuation Barnett Waddingham assumed that 10% of members would choose to take up the 50:50 option.

In the two years since the option was made available, the Fund, and the LGPS as a whole, has seen take-up levels far below 10% (the nationwide the figure is c. 0.2%). However, it is not clear whether take-up will remain low or increase in future due to the impact of auto-enrolment, cessation of contracting out and lower tax allowances is felt.

We will therefore use an assumption of 5% in the 2016 valuation initial results.

**Reliances and limitations**

This information is addressed to London Borough Barnet as Administering Authority to the London Borough Barnet Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of presenting the 2016 valuation assumptions to the Pensions Committee. It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- TAS R – Reporting; and
- Pensions TAS.

Peter Summers FFA

For and on behalf of Hymans Robertson LLP

17 October 2016

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	<p><b>Local Pension Board</b></p> <p><b>25 January 2016</b></p>
<p><b>Title</b></p>	<p>Pension Fund Risk Register</p>
<p><b>Report of</b></p>	<p>Head of Governance</p>
<p><b>Wards</b></p>	<p>All</p>
<p><b>Status</b></p>	<p>Public</p>
<p><b>Urgent</b></p>	<p>No</p>
<p><b>Key</b></p>	<p>No</p>
<p><b>Enclosures</b></p>	<p>Annex A – Pension Fund Risk Register Report Appendix 1 – Pension Fund Risk Register</p>
<p><b>Officer Contact Details</b></p>	<p>Paul Frost, Governance Officer, Team Leader <a href="mailto:Paul.frost@barnet.gov.uk">Paul.frost@barnet.gov.uk</a> 020 8359 2205</p>

### Summary

This report encloses the report on Pension Fund Risk Register that was considered by the Pension Fund Committee on 18 January 2016.

### Recommendations

**That the Local Pension Board notes the report.**

## **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

## **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 2016.

### **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 Risk Register</h2> <h3 style="margin: 0;">18 January 2017</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Pension Fund Risk Register</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Interim Chief Executive Officer/Section 151 Officer</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A – Pension Fund Risk Register</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Iain Millar 020 8359 7126, <a href="mailto:iain.millar@barnet.gov.uk">iain.millar@barnet.gov.uk</a></p>

<h2 style="margin: 0;">Summary</h2>
<p>The report sets out the arrangements for managing risk in the Pension Fund.</p>

<h2 style="margin: 0;">Recommendations</h2>
<p><b>That the Pensions Fund Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. That the arrangements in place to manage risk within the pension fund are noted.</b></li> <li><b>2. Instructs the appropriate Officer(s) to address any issues that it considers necessary.</b></li> </ol>

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 To provide the Pension Fund with details of the arrangements in place to manage risk within the Pension Fund.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Interim Chief Executive/Section 151 Officer has delegated responsibility with appropriate officer and professional advisor support to ensure that risk management arrangements are in place for the Pension Fund. This includes maintaining a Pension Fund risk register
- 2.2 Pension Fund Committee and Pension Board will review the risk register 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 Pension Fund Committee will review the updated risk register at least annually.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Pension Fund Committee supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan 2015-2020. A risk management approach ensures that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level.

### **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 Council Constitution, Responsibility for Functions, Annex A, set out the terms of reference for the Pension Fund Committee, The scope of responsibilities of the Pension Fund require a risk management approach.

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 Framework which seeks to ensure that risks of all types are adequately managed by the organisation (and, where relevant, jointly with its partners).. A key component of this is the Corporate Risk Register which combines the strategic and business risks and escalated service risks affecting the authority and is reported quarterly to the Performance and Contract Monitoring Committee. 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 management process are to:

- identify key current risks to the achievement of the Fund's objectives
- assess the likelihood of the risk occurring and the potential impact should the risk occur
- respond to the risk, e.g. treat, terminate, tolerate or transfer,
- monitor, report and escalate risks - if treating the risk, assess the effectiveness of controls and/or mitigations in place and consider whether further action is required, including escalating to the corporate risk register
- Record the findings in the pension fund risk register

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 Board 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 December 2016

Risk	Current Assessment			Control Actions	Risk Status	Committee Assurance (timing)	Target assessment
	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
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
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

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
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 reporting in January and March 2017	Major 4
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
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

Assessment	
Probability Rating	
Unlikely 2	Medium High 8
Possible 3	Medium High 12
Possible 3	Medium High 12

Possible 3	Medium High 12
Possible 3	Medium High 12
Possible	12
Unlikely 2	Medium High 12

**London Borough of Barnet  
Local Pensions Board Forward Work Plan -  
March 2017**

Subject	Decision requested	Report Of	Contributing Officer(s)
23 March 2017			
Admitted Bodies Report	London Borough of Barnet Pension Fund - Admitted Bodies update report	Chief Executive / Section 151 Officer	Service Delivery Manager (Pensions) Capita Employee Benefits
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	Head of Treasury CSG
Pension Fund Investment Strategy	Report providing further information on revisions to the Pension Fund Investment Strategy	Chief Executive / Section 151 Officer	Head of Treasury CSG
Review of LPGS Governance Reports	To review LGPS governance reporting compliance	Chief Executive / Section 151 Officer	Head of Treasury
Scheme administration compliance	To note report on scheme administration	Chief Executive / Section 151 Officer	Service Delivery Manager (Pensions) Capita Employee Benefits



**Local Pension Board**  
**25 January 2016**

<b>Title</b>	<b>Investment Strategy Review</b>
<b>Report of</b>	Head of Governance
<b>Wards</b>	All
<b>Status</b>	Public Cover Report. Annex 1 – Exempt* Appendix 1 – Exempt* Appendix 2 Exempt* *Exempt Report – Not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Exempt Appendix 1 – Hymans Robertson: Update on Income Portfolios: December 2016. Exempt Appendix 2 Hymans Robertson Infrastructure Paper January 2017.
<b>Officer Contact Details</b>	Paul Frost, Governance Officer, Team Leader <a href="mailto:Paul.frost@barnet.gov.uk">Paul.frost@barnet.gov.uk</a> 020 8359 2205

**Summary**

This report encloses the report on the Investment Strategy Review that was considered by the Pension Fund Committee on 18 January 2016.

**Recommendations**

**That the Local Pension Board notes the report.**

## **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

## **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 2016.

### **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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