

<p style="text-align: center;"><u>MEETING</u></p> <p style="text-align: center;">PENSION FUND COMMITTEE</p>
<p style="text-align: center;"><u>DATE AND TIME</u></p> <p style="text-align: center;">TUESDAY 16TH OCTOBER, 2018</p> <p style="text-align: center;">AT 7.00 PM</p>
<p style="text-align: center;"><u>VENUE</u></p> <p style="text-align: center;">HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX</p>

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 3)

Chairman: Councillor Mark Shooter

Vice Chairman: Councillor John Marshall MA (Hons)

Anthony Finn
Elliot Simberg

Anne Hutton
Alison Moore

Danny Rich

Substitute Members

Stephen Sowerby
Ross Houston

Eva Greenspan
Reema Patel

Peter Zinkin
Arjun Mittra

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Thursday 11 October at 10AM. Requests must be submitted to Paul Frost

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

Andrew Charlwood – Head of Governance

Governance Services contact: Paul Frost

Media Relations Contact: Gareth Greene 020 8359 7039

ASSURANCE GROUP

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ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes	5 - 6
2.	Minutes - Exempt	7 - 10
3.	Absence of Members	
4.	Disclosable Pecuniary interests and Non Pecuniary interests	
5.	Public Question and Comments (if any)	
6.	Report of the Monitoring Officer (if any)	
7.	External Auditor's Report	11 - 58
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10.	Update on Admitted Bodies Organisations	99 - 106
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12.	Training Needs Self-Assessment Questionnaire	115 - 128
13.	Motion to Exclude Press and Public	
14.	Investment Allocation to Property - Exempt	129 - 134
15.	Fund investment Performance 30 June 2018 _Exempt	135 - 164
16.	Any item(s) that the Chairman decides is urgent	

FACILITIES FOR PEOPLE WITH DISABILITIES
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Decisions of the Pension Fund Committee

30 July 2018

AGENDA ITEM 1

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

Anthony Finn
Elliot Simberg

Anne Hutton
Alison Moore

Danny Rich

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

RESOLVED – That the Minutes of the meeting held on 26 June 2018 be approved.

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

None.

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

Councillor Mark Shooter, Councillor Danny Rich, Councillor Anthony Finn and Councillor John Marshall declared a non-disclosable pecuniary Interest by virtue of being beneficiary of LGP Scheme and/or having shareholdings in a number of companies that the fund had invested in.

Councillor Anne Hutton and Alison Moore both declared a non-disclosable pecuniary Interest by virtue that they have shareholdings in companies that the fund had invested in.

Councillor Elliot Simberg declared a Disclosable Pecuniary as he stated that he has a working relationship with the Company Fidelity. Cllr Simberg did observe the presentations that Fidelity delivered but did not take part in any the decision to select fund managers Fund managers.

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

None

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

None

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

None

7. **ANNUAL REPORT AND ACCOUNTS AND EXTERNAL AUDITOR'S REPORT (Agenda Item 7):**

The Chairman noted that the External Auditors report was not available for the consideration.

The Committee gave consideration to the report and therefore:
Resolved:

That the Pension Fund Committee approved the 2017/18 Annual Report and Pension Fund Accounts;

That the Pension Fund Committee agreed to Delegated approval of the accounts to the Chief Finance Officer.

That the Pension Fund Committee requested that the Members be informed when the accounts when the accounts are approved

That the Pension Fund Committee noted that the external auditors report be reported to the next meeting due to take place on Tuesday 16 October 2018

9. MOTION TO EXCLUDE THE PRESS AND PUBLIC (Agenda Item 9):

The Chairman move a motion to exclude the press and public for the remaining part of the meeting. This was agreed by the Committee.

10. REVIEW OF STRATEGIC ALLOCATIONS - EXEMPT (Agenda Item 10):

The Committee received the report.

The Committee noted the exempt information.

11. PERFORMANCE FOR THE QUARTER TO 30 JUNE 2018 - EXEMPT (Agenda Item 11):

The Committee noted the performance of the Pension Fund for the quarter to 30 June 2018

12. BARNET COUNCIL PENSION FUND – PRESENTATION BY NEWTON - EXEMPT (Agenda Item 12):

The Committee received the report.

The Committee noted the exempt information.

8. ANY ITEMS THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 8):

There were no urgent items.

The meeting finished at 22:40

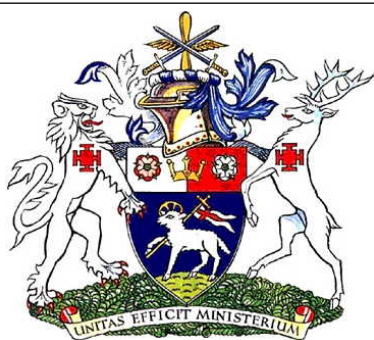
By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

AGENDA ITEM 2

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AGENDA ITEM 7



Pension Fund Committee

16 October 2018

Title	Pension Fund External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2017/18
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Draft ISA 260 report
Officer Contact Details	George Bruce, Head of Treasury, 0208 359 7126

Summary

This report considers the detailed report from the external auditors on matters arising from the audit of the 2017/18 Pension Fund Accounts and Annual Report in line with International Standard on Auditing 260 (ISA 260).

Recommendations

That the Committee:

- 1. note the matters raised by the external auditor in respect of the audit of the 2017/18 Accounts and Annual Report; and**
- 2. consider whether there are any areas on which they require additional information or action.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts. There are also specific legal requirements in relation to the accounts and the annual report as set out in section 5.4 below.
- 1.2 The draft accounts were due to be approved at the Committee meeting on 30th July 2018. Unfortunately, because the audit was not complete and no Auditor's report was available, the Committee declined to approve the accounts and instead delegate approval to the Director of Finance.
- 1.3 The audit of the accounts has not gone as smoothly as was anticipated for several reasons, these include:
 - I. The audit was extended to cover the provision of data to the Actuary for the 2016 triennial valuation and the 2018 liability valuation. The Committee will be aware that the Actuary has previously flagged issues with the quality of data and there were protracted discussions involving Auditor and Actuary to establish the impact of data uncertainties.
 - II. Responses to audit queries from the administration team were delayed through a lack of a single point of contact.
 - III. There were extended discussions on presentation issues i.e. categorisation of financial instruments, disclosure of deficit contributions.
 - IV. The audit process could be improved if more of the testing was completed prior to the year-end and if the auditor undertook the testing at the administration centre. The process of discussing issues by email greatly extended the timescales.
 - V. When it was recognised that an end July sign off was not possible, BDO prioritised the finalising of the audits of other Local Authority clients.
 - VI. New issues arose after July from the reviews by audit manager, partner and 'independent'.
- 1.4 A post audit meeting to review the conduct of the accounts preparation and audit will be held to ensure that the 2018-19 audit is completed on time.
- 1.5 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.

- 1.6 The ISA 260 report must be considered by “those charged with governance” before the external auditor can sign the accounts.
- 1.7 Attached, appendix A, is the draft Auditors report. The report is expected to be finalised before the Committee and an updated version will be circulated. The Auditor will be attending the meeting to discuss their findings and recommendations. Management have responded to the recommendations and detailed the actions to be taken to address the issues raised.
- 1.8 A draft of the Audit’s Report was discussed by the Local Pension Board on 5th September 2018. The final report will be circulated to Board members.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 None.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 A positive external audit opinion on the Pension Fund’s Annual Report and Accounts plays an essential and key role in providing assurance that the Pension Fund’s financial risks are managed in an environment of sound stewardship and control. This is in line with the aims set out in the Council’s Corporate Plan 2015-2020, to ensure that services are delivered efficiently to get value for money for the taxpayer.

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

- 5.2.1 This report sets out the framework for the assessment of the Pension Fund’s financial reporting and management as well as value for money.
- 5.2.2 The external audit fees for 2017/18 are £21,000 (£28,000 for 2016/17). The auditor is likely to seek additional fees to cover the extended audit timescale.

5.3 Social Value

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

5.4 Legal and Constitutional References

- 5.4.1 The Accounts and Audit Regulations 2015 require that the authority's accounts for the year 2017/18 are approved by the authority or by a committee and signed by the Chairman at the committee meeting where the accounts are approved.
- 5.4.2 The requirement for an administering authority to prepare a Pension fund annual report is contained in Regulation 57 of the Local Government Pension Scheme Regulations 2013.
- 5.4.3 The Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee,

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

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

5.5 Risk Management

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

5.6 Equalities and Diversity

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

5.7 Consultation and Engagement

- 5.7.1 Not required.

5.8 Insight

- 5.8.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

- 6.1 Audit plan presented to the Pension Fund Committee 26 June 2018, agenda item 7 and the annual accounts were discussed on 30 July 2018, agenda item 7.

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LONDON BOROUGH OF BARNET PENSION FUND

AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2018

16 August 2018

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WELCOME

We have pleasure in presenting our Audit Completion Report to the Pensions Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Pensions Committee. At the completion stage of the audit it is essential that we engage with the Pensions Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the next Pensions Committee meeting, and to receiving your input.

In the meantime, if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Pensions Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would also like to take this opportunity to thank the management and staff of the pension fund for the co-operation and assistance provided during the audit.

OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Pensions Committee in reviewing the results of the audit of the financial statements and use of resources of the pension fund for the year ended 31 March 2018.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Plan dated 30 May 2018.
Materiality	Our final materiality is £10.9 million for the net asset statement and £2.95 million for the fund account. This has been updated from our Audit Plan to reflect final amounts in the financial statements.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.
KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified no material misstatements.
Unadjusted audit differences	There are five unadjusted audit differences identified by our audit work which if corrected, would increase the net assets of the Fund by £0.443 million to £1,097.011million. These are detailed at Appendix I.
Control environment	Our audit identified one significant deficiency in internal controls.

OVERVIEW

AUDIT OPINION	
Financial statements	We propose issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.
Pension fund annual report	We confirmed that the financial statements in the pension fund annual report are consistent with the Statement of Accounts.
OTHER MATTERS FOR THE ATTENTION OF THE PENSIONS COMMITTEE	
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Management letter of representation	The draft management letter of representation, to be approved and signed, is set out in Appendix VI.

OUTSTANDING MATTERS

The following matters are outstanding at the date of this report. We will update you on their current status at the Pension Fund Committee meeting at which this report is considered:

- 1 Final clearance of a small number of items with management:
 - Management response for unexplained differences on contributions received £1.078 million and pension payments made £0.255 million.
- 2 Final review and approval by you of the pension fund financial statements
- 3 Subsequent events review to the date of the opinion
- 4 Management letter of representation, as attached in Appendix VI to be approved and signed

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS				
We have assessed the following as audit risks from our audit planning. We set out how these risks have been addressed and the outcomes of our work.				
Key: ■ Significant risk ■ Normal risk				
AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION	
1 ■ Management override of controls	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We have:</p> <ul style="list-style-type: none">• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.• Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.• Obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	<p>Our testing of a sample of journal entries identified no evidence of fraud due to management override of controls. We have highlighted one deficiency in controls in respect of the processing of journals and included a recommendation within Appendix II of this report.</p> <p>We have not identified bias in accounting estimates. Our views on significant management estimates are set out within this report.</p> <p>No significant transactions were identified which were outside the normal course of business or that otherwise appeared to be unusual.</p>	

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2 Membership data	<p>Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed in the financial statements.</p> <p>During last year's audit, following a cleansing of the data by management we identified significant issues within the membership data. This was raised as a significant control deficiency.</p> <p>We have therefore recognised a significant risk that the membership database may not be accurate and up to date to support this disclosure this year.</p>	<p>We have:</p> <ul style="list-style-type: none"> Obtained membership records and review the controls over the maintenance of these records. Tested a sample of movements of members to transactions recorded in the fund account, and other underlying supporting documentation. 	<p>We have seen evidence that a significant data cleansing exercise has taken place which resulted in a large number of outdated records being updated.</p> <p>Our testing in this area identified one error as set out below, which indicates that there is still further cleansing work to be done.</p> <p>Our substantive testing of a sample of active members from membership records found 1 individual (out of 30 tested) who was recorded active and accruing benefits and still employed but had ceased paying pension contributions as they had left the scheme.</p> <p>Our testing also included a comparison of the membership data to the first draft accounts and identified variances. From discussion with management the variances is owing to late notifications of change of membership status. The membership data we used to compare to the draft accounts included changes that were only processed in 2018/19 but actually relate to the 2017/18 year. Management has since revised the draft accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Cash and bank	<p>During last year's audit, we noted delays in the receipt of bank reconciliations, and a number of errors when reconciliations were eventually received. As a result, we reported a significant control deficiency around the bank reconciliation process. We also noted three 'off-ledger' bank accounts with nil balances. We have therefore recognised a significant risk over the existence, completeness and accuracy of cash at bank.</p>	<p>We have:</p> <ul style="list-style-type: none"> Updated our understanding of the controls during our audit visit. Obtained year-end bank reconciliations and agree these to the general ledger and external bank confirmations of amounts held at year-end. Substantively tested a sample of reconciling items to supporting underlying documentation. <p>We have reviewed the bank reconciliations with no issues noted and the bank accounts held 'off-ledger' with nil balances have been closed.</p>
4	Pension liability assumptions	<p>An estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the 2016 triennial membership data, rolled forward, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation at 31 March 2018 when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We have:</p> <ul style="list-style-type: none"> Reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate. <p>Our review of the controls to ensure data provided to the actuary for the 2016 triennial valuation is complete and accurate highlighted a number of deficiencies including the draft data specification from the actuary was used rather than the final and the dataset did not meet the actuary's requirements. There was no evidence that where changes. We have detailed recommendations in the action plan in Appendix II.</p>

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ESTIMATE

IMPACT

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

The liability to pay future pensions has increased by £35 million to £1,864 million at 31 March 2018. This is principally due to an increase in the current service cost on the prior year due to an increase in the RPI offset by an increase in the discount rate used to value future liabilities (from 2.5% to 2.6%).

We compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary.

	Actual	Acceptable	Comments
RPI increase	3.4%	3.4%	Reasonable
CPI increase	2.4%	2.4%	Reasonable
Salary increase	2.7%	--	Reasonable (derived from RPI above)
Pension increase	2.4%	2.4%	Reasonable
Discount rate	2.6%	2.6-2.7%	Reasonable (tending to bottom of expected range)
Mortality - LGPS:			
- Male future	23.9 years	23.7-24.4	Reasonable
- Female future	26.5 years	26.2-26.9	Reasonable
- Male current	21.9 years	21.5-22.8	Reasonable
- Female current	24.3 years	24.1-25.1	Reasonable
Commutation:			
- Pre 2008	50%	25% - 75%	Reasonable
- Post 2008	50%	25% - 75%	Reasonable

We are satisfied that the assumptions used are reasonable.



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KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA		RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Fair value of investments	<p>The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by Hyman’s Investment Advisory team, and reported on a quarterly basis.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none">Obtained direct confirmation of all investment valuations from the fund managers.Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.	<p>All required fund manager valuation reports have been received and, other than below, were agreed to the financial statements.</p> <p>We obtained independent assurance reports for all ten fund managers. Our review of these reports did not identify any audit findings to report on over the valuation and existence of underlying investments in the fund.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6 Contributions receivable (normal and augmented)	<p>Employers are required to deducted amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for early retirements and augmentation of pensions.</p> <p>There is a risk that employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.</p>	<p>We have:</p> <ul style="list-style-type: none"> Performed an examination of a sample of active members to evidence relevant to the amounts of normal / deficit contributions receivable to the fund including checking to employer payroll records, where relevant. Reviewed contributions receivable to ensure that income is recognised in the correct accounting period where the employer is making payments in the following month. 	<p>There have been no significant changes to the control environment surrounding contributions receivable this year, and we identified no significant deficiencies in this area.</p> <p>Testing confirmed that contributions have been correctly calculated and recorded in respect of individuals tested.</p> <p>We also sought to reconcile contributions received from a sample of employers per the Pension Fund's accounts to payroll records provided by individual employers. We noted an unexplained difference between contributions received from Barnet Schools and the Schools payroll data. The projected error across sampled population is £1,078k.</p> <p>Management have been unable to identify the Schools payroll discrepancy mentioned above. Our testing indicates that the contributions reported in the accounts are in agreement with the payroll data received.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
		<ul style="list-style-type: none">Tested a sample of augmented contributions due from employers.	<p>We identified that £1.5 million augmentation contributions due from Middlesex University had been recovered from HEFCE. Management has written off augmentation contributions receivable and current assets by £1.5 million in the financial statements</p>
		<ul style="list-style-type: none">Carried out audit procedures to review contributions income in accordance with the Actuary’s Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.	<p>Our testing of contributions also identified errors in the split between normal, deficit and augmentation employer contributions:</p> <ul style="list-style-type: none">-£1.744million HFCE contribution was initially recorded as a normal contribution. Management reclassified to augmentation contribution.-£312 deficit accrual was re-allocated to normal contributions.
		<ul style="list-style-type: none">	<p>We noted errors in the contribution rates applied resulting in a projected misstatement of £62,000. This is a projected misstatement.</p>
		<ul style="list-style-type: none">	

KEY AUDIT AND ACCOUNTING MATTERS

7	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Investment management expenses	<p>Fund managers do not ordinarily provide information on other fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in the change in market value of investments.</p> <p>This disclosure is a mandatory requirement for the 2017/18 financial statements.</p> <p>We consider there to be a risk in the presentation of investment management expenses in the fund accounts where these 'hidden' fees are not identified and separately reported.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Reviewed the arrangements put in place by management to identify all relevant investment management fees, and responses provided by fund managers, to ensure that the true costs are disclosed appropriately in the fund accounts. • For a sample of investment management expense we agreed amount to year end confirmations received from the fund managers by the pension fund. 	<p>Fund managers have provided additional information on fees this year. Investment management fees have been agreed to fund manager invoices.</p> <p>We agreed investment management expenses to fund manager invoices and did not identify any issues.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
8	Consideration of related party transactions	We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.	We have discussed with management and reviewed members' and Senior Management declarations to ensure that there are no potential related party transactions which have not been disclosed.
9	Benefits payable	<p>We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.</p> <p>Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations.</p> <p>Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.</p>	<p>We did not identify any issues with the completeness and accuracy of related party transactions.</p> <p>No issues were found in our testing of a sample of employees leaving the scheme including the calculation of the deferred pensions or lump sum and pension benefit for retiring members.</p> <p>The correct 1% uplift was applied to pensioner benefits.</p> <p>A breakdown of the pension payments for the year was obtained and reconciled to the draft account with a variance of £225,000. There may be a potential overstatement of benefits paid, however management cannot substantiate what this difference relates to.</p> <p>The variance represents the difference between the pensions reported in the accounts (£43.16 million) and P60 (£42.93 million). There are items included in the P60 that may be paid in an earlier or later year and thus</p>

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
10	Financial statements disclosures	<p>We have suggested a number of changes to the financial statements, in respect of formatting, ensuring consistency between disclosures and arithmetic accuracy.</p> <p>Management have included additional disclosure around the equities and bonds held within pooled funds between the UK and overseas. however comparative information was not available for this note.</p>
11	Other disclosure issues	<p>We identified a number of other disclosure issues within the first draft accounts:</p> <ul style="list-style-type: none"> • The Benefits Payable by Authority did not disclose analysis of benefits between employers. • The analysis of strain costs by employer type had not been confirmed, all costs were allocated to the Council. • The investment note was misstated by £105,000 owing to the Clearant Europe Direct Lending fund manager statements received after preparation of the first draft of accounts. There was also an overstatement of £86,000 between the investment note and the M&G Investments fund manager statement. • The current 2017/18 audit fee included additional fees for the year 2016/17 financial year. • Inconsistency in the classification of Cash and Cash Equivalents across the Classification of Financial Instruments and Fair Value Hierarchy Note. • Within the financial instruments notes, the interest rate risk disclosure did not include details on effects of a change interest rate on the valuation of pooled investment vehicle assets. Management had not included a quantitative disclosure in the draft accounts for currency risk arising from pooled investment vehicles containing foreign currency investments. • We noted some casting errors on the face of the fund accounts and some of the supporting notes. • The comparative figures within the Key Management Personnel note did not agree to the prior year audited, signed accounts. • The Additional Voluntary Contributions note did not disclose the amount paid to Aviva. • Total number of active members, pensioners and deferred pensioners in the draft accounts did not agree to the membership data set. <p>These have been corrected by management</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA		AUDIT FINDINGS
12	Analysis of operational expenses	During the audit, we queried the analysis of administration and governance and oversight expenditure. Governance tends to include expenditure required to support the ‘Board’ (Pension Fund Committee) in its oversight role and legal reporting requirements. Administration costs include all other costs that are mainly anything to do with running the pension scheme. Governance costs appear high against administration expenses. Management will review the allocation of costs in the coming year.
13	Aged debts	Augmentation contributions of £1.507 million due from Middlesex University was written off as these had been recovered via HEFCE claim. We note that some of these debtors had been outstanding since 2015. We have raised a recommendation in relation to the review of the aged debtor analysis and the requirement for appropriate credit control and the chasing of debts.
14	Fraud	Whilst the Director of Finance and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from those charged with governance on whether you are aware of any known, suspected or alleged frauds for the pension fund.

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

MATTER		COMMENT
1	Pension fund annual report	We confirmed that the financial statements in the pension fund annual report are consistent with the Statement of Accounts.

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Pensions Committee.

As the purpose of the audit is for us to express an opinion on the pension fund's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Significant deficiencies

Our audit has identified one significant deficiency in relation to controls over membership data which would assure data quality and identify errors on an ongoing basis, for example the reconciliation of information provided by employers on contributions by individual each month to membership records Further details are included within the action plan at Appendix II.

Other deficiencies

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Pensions Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements.

UNADJUSTED AUDIT DIFFERENCES

There are five unadjusted audit differences identified by our audit work which, if corrected, would increase the net assets of the Fund by £0.443 million to £1,097.011million. The fund performance for the year was an increase in net assets of £44.411 million.

You consider these misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.

	£'000	FUND ACCOUNT		NET ASSETS	
		DR	CR	DR	CR
		£'000	£'000	£'000	£'000
Net Assets before adjustments	1,096,568				
DR Management expenses		67			
CR Current liabilities					(67)
(1) Projected misstatement of £67k for post year-end invoice not accrued (actual error £8k).	(67)				

APPENDIX I: AUDIT DIFFERENCES

		FUND ACCOUNT		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
DR Management expenses		225			
CR Current liabilities					(225)
(2) Unexplained difference between payroll report and financial statements	(225)				
DR Bad debtor provision		405			
CR Current assets - debtors					(405)
(3) Provision for unrecovered debt more than two years old	(405)				
DR Current assets				1,078	
CR Management expenses			(1,078)		
(4) Unexplained difference between contributions received from Barnet Schools and school payroll data. Projected misstatement.	1,078				
DR Current assets - contributions due				62	
CR Contributions receivable			(62)		
(5) Projected error in contribution rates applied (actual error £25)	62				
TOTAL UNADJUSTED AUDIT DIFFERENCES	443	697	(1,140)	1,140	697
Net assets if adjustments accounted for	1,097,011				

APPENDIX I: AUDIT DIFFERENCES

IMPACT ON CURRENT YEAR FUND ACCOUNT OF PREVIOUS YEAR ERRORS		FUND ACCOUNT		NET ASSETS	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
DR Net assets brought forward				627	
CR Changes in market value			(262)		
CR Payments to and on behalf of leavers			(365)		
(6) Impact of brought forward adjusted misstatements	627				
TOTAL UNADJUSTED AUDIT DIFFERENCES	627		(627)	627	

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Membership data	<p>Over the last year two years we reported a significant deficiency in internal control in respect of delays in updating membership records. This year, we have seen evidence that a data cleansing exercise has taken place and further improvements have been made. However, our testing of a sample of membership records and individual contributions has highlighted that errors remain within the Fund's membership data. We therefore consider that there remains a significant deficiency in this area.</p> <p>If up to date membership data cannot be provided by the Fund, there is a risk this could impact materially upon triennial funding valuations, which increases the risk that the Fund may not be able to meet future liabilities.</p>	<p>We recommend that management completely review the internal controls in place around the maintenance and quality assurance of membership data, to ensure that this can be kept up to date and sufficiently accurate.</p> <p>Whilst periodic data cleansing may form one part of the control environment, we would expect stronger controls to be put into place to assure data quality and identify errors on an ongoing basis, for example the reconciliation of information provided by employers on contributions by individual each month to membership records, perhaps on a sample or rolling basis.</p> <p>Although it is recognised that the Pension Fund relies on individual employers to notify it of changes, it should be more proactive in identifying and following up apparent discrepancies when they arise.</p>	<p>A workshop has been held during September 2018 with the Pensions / Finance Teams that included a review of the end to end control process and monthly reconciliations. Revised control processes will be implemented during Q4, 2018. In addition, data cleanse activities remain ongoing as agreed with the Council.</p>	Keith Barker / Mark Richardson	Q4, 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Ownership of the accounts preparation function	<p>We noted significant improvement in the quality of the accounts prepared this year compared to the prior year, however, greater ownership of the accounts production process is required in relation to the financials which are generated outside of the core finance team and the following up of audit queries.</p> <p>A lack of ownership can lead to delays in completion of the audit and increased the risk of material misstatement through error.</p>	We recommend that a clear work flow is set up with the non-centralised team so that high quality financials are provided on a timely basis and that delivery of this can be monitored so as not to impact of audit delivery.	A workshop has been held during September 2018 and this included a review to ensure roles and responsibilities are clearly defined to support any future audit engagements. This will be communicated with BDO as part of the audit completion to help improve processes for future years.	Keith Barker / Mark Richardson	Sept 2018
Journals in Integra	<p>The Integra system allows journals to be prepared and approved by the same user. We identified a number of journals processed where the preparer and approver in the Integra system were the same person and where there was no approver. No evidence of independent review was provided.</p> <p>The lack of segregation of duties in journals posting may result in an increased risk of fraud and/or error.</p>	Remind the user concerned of the requirement to obtain independent approval in Integra of all journals they prepare.	The process to require independent approval of journals was implemented during December 2017 and has operated without exception subsequently. Allocating cash in suspense is not a journal and does not require independent approval.	George Bruce, Head of Treasury	N/A - already in place.

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Review of debtor recoverability	<p>We noted invoices where payment had not been received dating back to the 2014-15 financial year. There were debtors totalling £2.6 million that were more than 1 year old. Management could not provide a recoverability assessment as a review of the aged debtor report had not been performed.</p> <p>This increases the risk of non-recoverability of debtors and overstatement of the debtors in the statement of accounts.</p>	We recommend that management performs a timely review of debtors to identify any that are long outstanding, perform an assessment for non-recovery of debtors and provide for these debtors where appropriate.	A full review will be undertaken during 2018-19 and unless these debts can be collected during the year, they will be written off.	George Bruce Head of Treasury	31 December 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Employers leaving the pool	<p>We identified that 4 employers had left the pool, but not removed from the pool on the basis of immateriality to the net pension fund liability, subject to consultation with the scheme actuary. We agreed with this assessment, however, we noted that there was not a process in place to monitor leavers from the Barnet pool and the cumulative effect on the net liability in the intervening years between valuations.</p> <p>If unmonitored leavers from the Barnet Pool, cumulatively, could result in a material overstatement of the Barnet Pool Net Liability within the IAS 19 report.</p>	Management should monitor the employers leaving the pool and their allocation of assets and liabilities to ensure that the cumulative effect is not material to the Council Pool. The council should make this assessment based on information presented by the actuary, with consideration of the impact on the financial statements of the Council.	Revised control processes, including production of a 'Master' employer document will be implemented during Q4, 2018 and formally monitored.	Keith Barker	Q4, 2018
Submission of cash flow data for IAS19 purposes	<p>We identified the following deficiencies in the submission process for contribution cash flows data to the actuary:</p> <p>Robust employer records were not in place or unavailable to complete the submission, resulting in 4 employers being incorrectly included within the Barnet Employer Pool</p> <p>The submission was not completed to the Hyman's specification we have seen elsewhere. The submission is made prior to the end of the year, resulting in some estimation being applied in the final months of the year, however in the case of the pension fund the estimation was not made on the submission, it showed incomplete months and unallocated suspense amounts. This should be estimated by the pension fund based on local knowledge.</p> <p>There was insufficient review of the submission by an officer with sufficient knowledge of the pension fund to identify incorrect bodies included in the pool and errors in the figures within the submission.</p> <p>Errors in the submission directly result in errors in the actuary's IAS 19 report in respect of contributions, as well as allocation of the pension fund's assets and liabilities.</p>	<p>We recommend that:</p> <p>Accurate employer records are maintained and consulted in the production of the cash flow submission</p> <p>The submission is fully completed with any estimation formulated by the pension fund based on local knowledge of the fund</p> <p>The draft cash flow data is subject to review and approval by the responsible officer at the employer and the head of pensions</p>	We have meet with the Actuary and agreed that these issues will be resolved prior to the submission of data. Cash flow data will be subject to formal evidenced review and approval.	Keith Barker	Q4, 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Preparing and Submitting Membership Data for the 2016 Triennial Valuation	<p>We identified the following deficiencies in the preparation of the membership data set for the triennial valuation:</p> <p>The draft actuary's data specification was used rather than the final version</p> <p>Changes to the data set were made manually on the data submission rather than through updating system records</p> <p>There was no version control maintained to monitor changes to the data set</p> <p>The data set did not meet the actuary's requirements in order to form a valuation, as result a number of assumptions has to be applied to the data in order to form a valuation. E.g. Active members with no salary information were assumed to have left their employer.</p> <p>There is no evidence that where changes or assumptions were made to the data that this was methodically reviewed and queried with employers to resolve the issues and update the membership system going forwards.</p> <p>The membership data submitted for the triennial valuation forms the building block for the subsequent two IAS 19 valuations, as such material issues in the data would affect the subsequent IAS 19 valuations until the next full valuation.</p>	<p>We recommend that:</p> <p>The Management stress the importance of accurate membership returns to the scheme employers ahead of the 2019 valuation</p> <p>Ensure that the final data specifications and actuary briefings are adhered to in full.</p> <p>Make provision to share data with employers where practicable and obtain positive confirmation that it is accurate</p> <p>Avoid making manual amendments to the extracted data set, instead processing genuine changes through the membership system.</p> <p>Where changes are made manually to the data submission this should be logged on a version control document.</p> <p>Following submission changes should be followed up with employers and specific data issues resolved on the system going forwards.</p> <p>Significant assumptions made on the membership dataset should be agreed with the respective employer prior to finalising the valuation</p>	<p>A workshop has been held during September 2018 with the Pensions / Finance Teams and a separate plan will be produced, in conjunction with the Scheme Actuary, to support key activities for the 2019 valuation and this will capture recommendations from this audit. Key requirements will be emphasised to employers as part of next Employer Forum scheduled for October 2018.</p>	Mark Richardson	Q4, 2018
Maintenance of Membership Data	<p>We identified that controls around the annual updating of membership records are weak, such that we could not rely on them for assurance over the membership data provided to the actuary. Employers are required to complete an annual return detailing their members within the scheme and their pertinent member details, however these returns are often received too late (5 not received in 2015/16) with errors that require manual correction by the</p>	<p>Management should consider reviewing the annual return format and process to improve the timeliness and quality of returns.</p> <p>Reviewing return formats and instructions</p> <p>Building in validation checks and requiring explanations and sign off from senior management of employers.</p>	<p>Revised control processes were implemented to support the 2017 / 2018 annual return from employers. Additional training will be provided to employers as part of</p>	Mark Richardson	Q4, 2018

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
			the next Employer Forum scheduled for October 2018. Areas of employer non-compliance are reported to the Local Pensions Board.		

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	PROGRESS
	failure to maintain adequate membership and employer data could result in an inaccurate valuation of the scheme liabilities, and consequently an incorrect employer contribution rate applied. This may limit the fund's ability to manage the level of funding in the short term.	<p>For example, FTE and salary combinations that results in less than minimum wage; missing critical fields</p> <p>Feeding back and resolving inconsistencies between returns and data currently held on the membership system.</p> <p>Scoring and feeding back on the quality of returns to the senior management of employers</p>			

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL	PLANNING
Pension fund overall materiality	£10.9 million	£10.5 million
Fund account specific materiality	£2.95 million	£2.9 million
Clearly trivial threshold		
• Pension fund overall	£219,000	£210,000
• Fund account	£59,000	£58,000

Planning materiality for the pension fund financial statements was based on 1% of prior year net assets. Specific materiality was set of 5% of prior year contributions for the fund account. These were updated for actual amounts reported in the draft financial statements.

APPENDIX IV: INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

We have not provided any non-audit services to the pension fund during the period and up to the date of this report.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the pension fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

APPENDIX V: FEES SCHEDULE

	2017/18 FINAL £	2017/18 PLANNED £	2016/17 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	21,000 ¹	21,000	36,249 ²	¹ The 2017/18 Code audit fee remains subject to amendment to reflect the additional resources required to complete the audit. ² The 2016/17 Code audit fee includes an additional £15,249 to reflect the additional resources required to resolve the issues identified during the audit.
TOTAL AUDIT	21,000	21,000	36,249	
Fees for other non-audit services	-	-	-	
TOTAL ASSURANCE SERVICES	21,000	21,000	36,249	

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

[XX] August 2018

Dear Sirs

Financial statements of London Borough of Barnet Pension Fund for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the pension fund's financial statements for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Director of Finance has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015, and in particular that the financial statements give a true and fair view of the financial position of the pension fund as of 31 March 2018 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the pension fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the pension fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the pension fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the pension fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees impacting on the pension fund. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- RPI increase 3.4%
- CPI increase 2.4%
- Salary increase 2.7%
- Pension increase 2.4%
- Discount rate 2.6%
- Mortality: Current pensioners - male 21.9 years and female 24.3 years / future pensioners - male 23.9 years and female 26.5 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 50%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19 and IAS 26.

We consider that the pension fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. The Director of Finance and each member has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Kevin Bartle
Director of Finance
[Date]

Councillor Mark Shooter
Pensions Committee Chair
Signed on behalf of the Pensions Committee
[Date]

APPENDIX VII: DRAFT AUDIT REPORT

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

Opinion on pension fund financial statements

We have audited the pension fund financial statements of London borough of Barnet ("the pension fund") for the year ended 31 March 2018 which comprise the fund account, the net assets statement and related notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion on the financial statements

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

Conclusions relating to going concern

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

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

Other information

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

APPENDIX VII: DRAFT AUDIT REPORT

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

We have nothing to report in this regard.

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

APPENDIX VII: DRAFT AUDIT REPORT

Use of our report

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

Leigh Lloyd-Thomas
For and on behalf of BDO LLP, Appointed Auditor
London, UK

XX August 2018

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APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

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Manager


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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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	<p style="text-align: right;">AGENDA ITEM 8</p> <p style="text-align: center;">Pension Fund Committee 16 October 2018</p>
Title	Planning for the 2019 Triennial Valuation
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Valuation timeline Appendix B – Hymans Robertson slides
Officer Contact Details	George Bruce, Head of Treasury & Pensions 0208 359 7126 george.bruce@barnet.gov.uk

Summary

The funding position of the Pension Scheme and rate of contributions paid by employers is assessed every three years by the Scheme Actuary. The next review date is 31 March 2019. The Actuary will be attending the meeting to discuss the role of the Actuary, the interaction between the Actuary, the Committee and Employers and the valuation timetable.

Recommendations

1. That the Pension Fund Committee note the triennial valuation timetable and raise any questions to the Actuary.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Committee are responsible for appointing a scheme actuary and commissioning a triennial actuarial valuation in addition to formulating long term funding and investment strategies that ensure that the scheme has sufficient assets to pay benefits as they fall due.
- 1.2 Every three years the Actuary assesses the funding position of the Pension Fund and determines the contributions payable by each employer for the next three years. The next valuation will be as at 31 March 2019 and the new contribution schedule will be effective from 1st April 2020.
- 1.3 The Actuary's primary responsibilities are to ensure that the scheme's funding plan will realistically achieve full funding and that the schedule of contributions doesn't incur additional costs through delaying the timing of when contributions are paid. The Actuary may also seek to smooth changes in the contribution rate but this is now a secondary objective.
- 1.4 The Committee has an involvement in the valuation process through the preparation of the funding strategy statement that sets out the basis for the actuarial calculations. The Committee will also be consulted throughout the valuation process.
- 1.5 The attached timetable set out the various steps in preparation for and during the valuation process. The Actuary will be attending the meeting to discuss the timetable with the Committee. The 2016 valuation did not progress as smoothly as it should and the Actuary is proposing that prior to the valuation date that the quality of the membership data is reviewed via submission to Hymans data portal. There is no charge for this process. The timetable has been discussed and agreed with the Administration team.

2. REASONS FOR RECOMMENDATIONS

- 2.1 No action is required as a consequence of the update.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None - statutory function

4. POST DECISION IMPLEMENTATION

- 4.1 The actions set out in the timetable will be followed.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Employers paid £48 million of contributions into the pension scheme in 2017/18. Changes in contribution rates can have a significant cashflow implication for employers and will impact on the Council's ability to spend in other areas.

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

- 5.2.1 There are no immediate financial implications from the report. However, higher deficits (particularly if sustained) may translate into higher contributions from the Council and other employers. Engaging with the Scheme Actuary in advance of the 2019 triennial valuation will enable the Committee to identify ways to stabilise future contribution rates.

5.3 Social Value

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

5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee,

“To consider actuarial valuations and their impact on the Pension Fund.”

- 5.4.2 The Local Government Pension Scheme Regulations 2013 (regulation 62) requires the Council to obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2016 and as at 31 March in every third year afterwards. Regulation 58 requires the administering authority to prepare a funding strategy statement.

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.

- 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 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, marriage and civil partnership.

5.7 Consultation and Engagement

- 5.7.1 Not required.

5.8 Insight

- 5.8.1 The report provides insight into the future direction of employers' contribution rates.

6. BACKGROUND PAPERS

- 6.1 None

London Borough of Barnet Pension Fund

DRAFT 2019 valuation timetable and route map

		Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Preparation and communications	Pre-valuation reports & correspondence (including Hymans' Briefing Notes)	Approach to employer asset allocation discussion	Assumptions papers - AOA, salary growth etc.				Briefing Note on valuation methodology	Briefing Note on assumptions											
	Meetings with officers			Assumption setting, decision on AOA and salary growth assumption. Discussion on employer profiling									Initial whole fund results	Initial employer results					
	Employer risk management				Employer risk profiling work	Discuss risk buckets for funding strategy. Consider where further covenant analysis may be required	Finalise employer covenant work and risk categories, if required							Provide employer results	Bulk employer bond review				
	Funding Strategy Statement									FSS - first draft						Finalise FSS ahead of employer consultation	Employer consultation		Sign off
	Meetings with employers	Employer forum - introduction to the valuation						Employer forum - setting expectations							Employer forum - employer results - possibly split into groups				
	Committee / LPB meetings (dependent on meeting dates)	Committee training - intro to the valuation				Committee - agreement of key valuation assumptions	LPB training - valuation basics and their role							Committee - present initial results					Committee - final sign off of results and investment structure
Administration	Membership data	Checking extract matches UDE specification Data cleanse using Data Portal as at 31 March 2018		Data provision for any outstanding new employers since 2016 valuation			Data provision for any outstanding new employers in last few months			Data validation at 31 March 2018		Final sign off of valuation data							
	Cashflow data	Matching employer codes in membership to employer codes in cashflows	Ensure all employers (incl those with no actives) have cashflows available						Compile cashflow data for valuation										
	Employer information	Compile up to date employer database						Provide final employer database											
Funding and investment process	Valuation results											Valuation calculations	Draft whole fund results	Calculation of employer results	Agree employer results				
	Investment		AOA proposed versus strategy Risk and return							Feed strategy into comPASS modelling			Review of investment strategies in line with changes to funding strategies Risk and return analysis Diversification						
	comPASS modelling									Agree scope and scenarios			Calculations		comPASS results				
	Cashflow projections																Cashflow projections (if required)	Sensitivity of projections (if required)	
	Final valuation results												Issue 'like-for-like' results to SAB					Draft final results	R&A discussions

Data sign off to results	Timeline from clean data provision		Who?
	Membership and cashflow data received (validation through Data Portal complete)	-	Capita to submit to HR
	Reconciliation of membership and cashflow data - queries issued	+ 3 days	HR
	Response to data queries	+ 1 week	Capita
	Final reconciliation, queries and sign off of valuation data	+ 2 weeks	HR with further follow up questions if need be
	Provision of draft whole fund results	+ 3 weeks	HR
	Provision of draft employer results	+ 4 weeks	HR

Please note:

- The proposed timetable includes actions which are good practice in the valuation process. These were not done at 2016 due to delays previously discussed but we would recommend they are considered for 2019.
- We would expect valuation data work to be carried out on the Data Portal during June and July 2019 for submission by the end of July. This will ensure sufficient time for any reconciliation queries to be resolved and calculations carried out before results are required to be submitted to the Scheme Advisory Board on 30 September 2019.
- The dates shown are provisional and can be discussed with Capita EB to ensure that they are realistic in terms of data provision. I have included a table showing the turnaround times for results from the initial submission of cleansed membership data and cashflow data. I would suggest that if changes to the above proposed schedule are made, these turnaround times are factored in to ensure results are received in time for Committee meeting dates as required.
- Once you have had a chance to consider the above timetable and feed back any changes required we would like to arrange a pre valuation meeting or conference call to talk through each stage and kick off the project.

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Pensions Committee training: Actuarial valuation

London Borough of Barnet Pension Fund

- Gemma Sefton FFA
- 16 October 2018

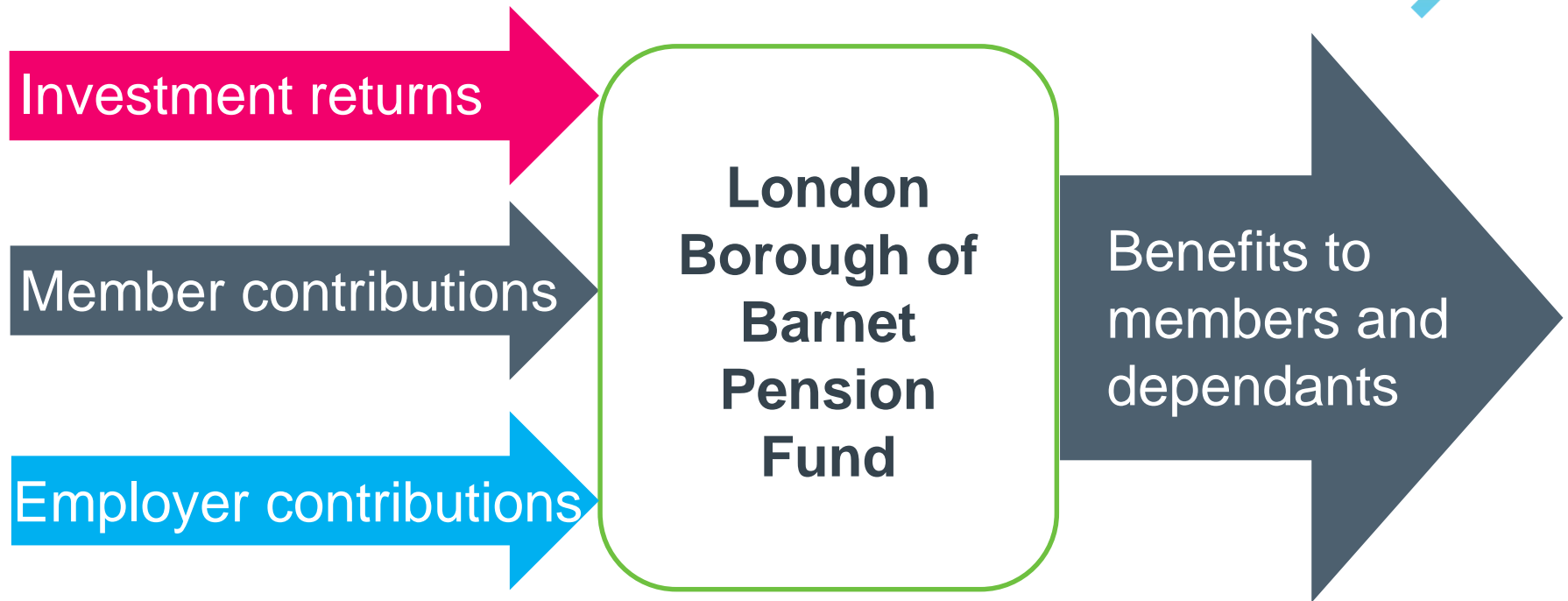
What are we going to cover?

1. Background to a valuation
2. What makes a good valuation
3. Recap of 2016 outcomes
4. Initial timetable for 2019 valuation
5. Key issues ahead of the 2019 valuation

Background to a valuation



How the Fund works

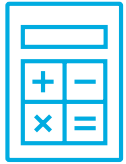


Determined by investment strategy & manager performance

Determined by LGPS Regulations

Must meet balance of cost over longer term

Why we do a valuation



- Calculate employer contribution rates



- Compliance with legislation



- Analyse actual experience vs assumptions

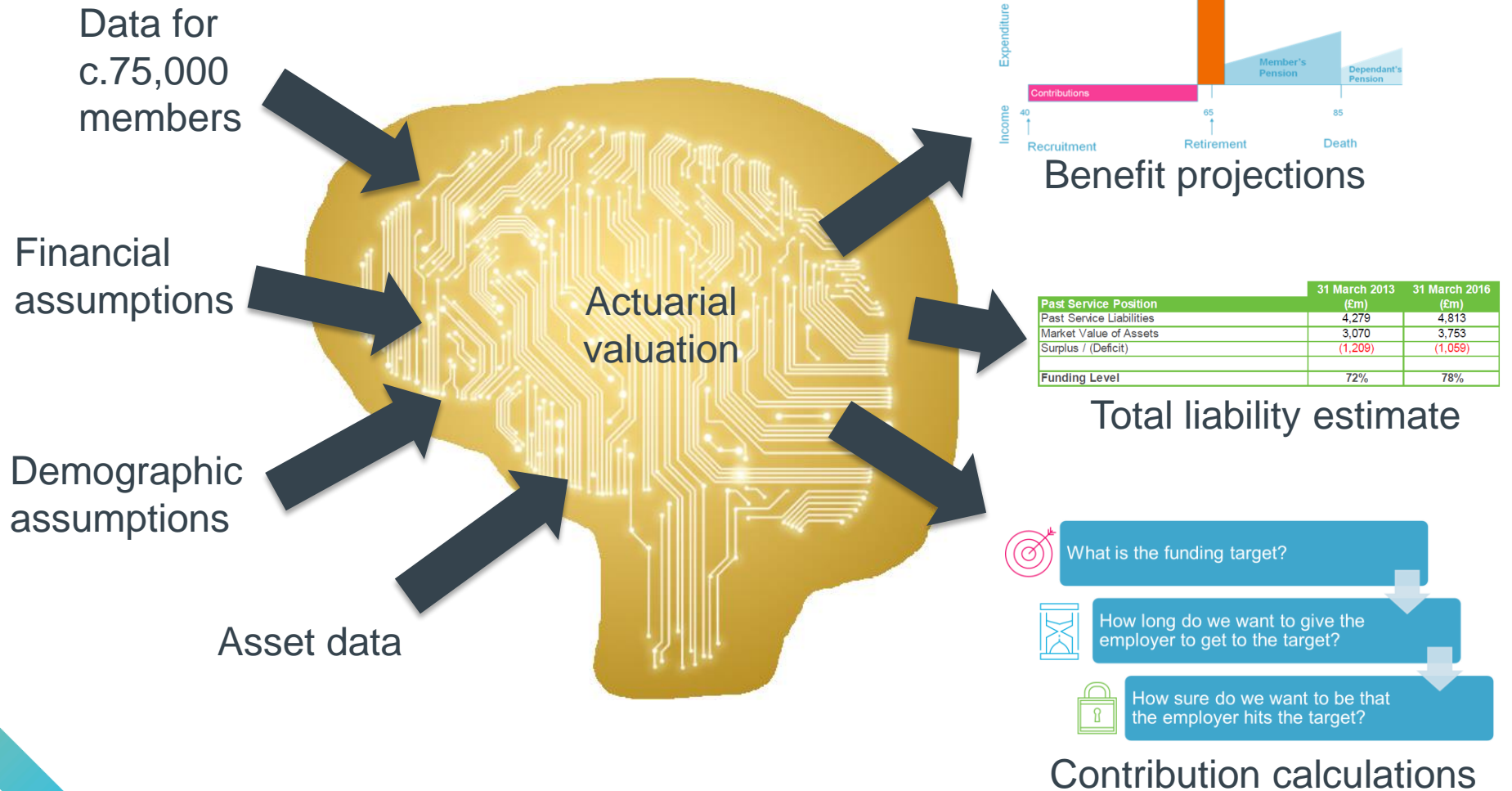


- Review Funding Strategy Statement

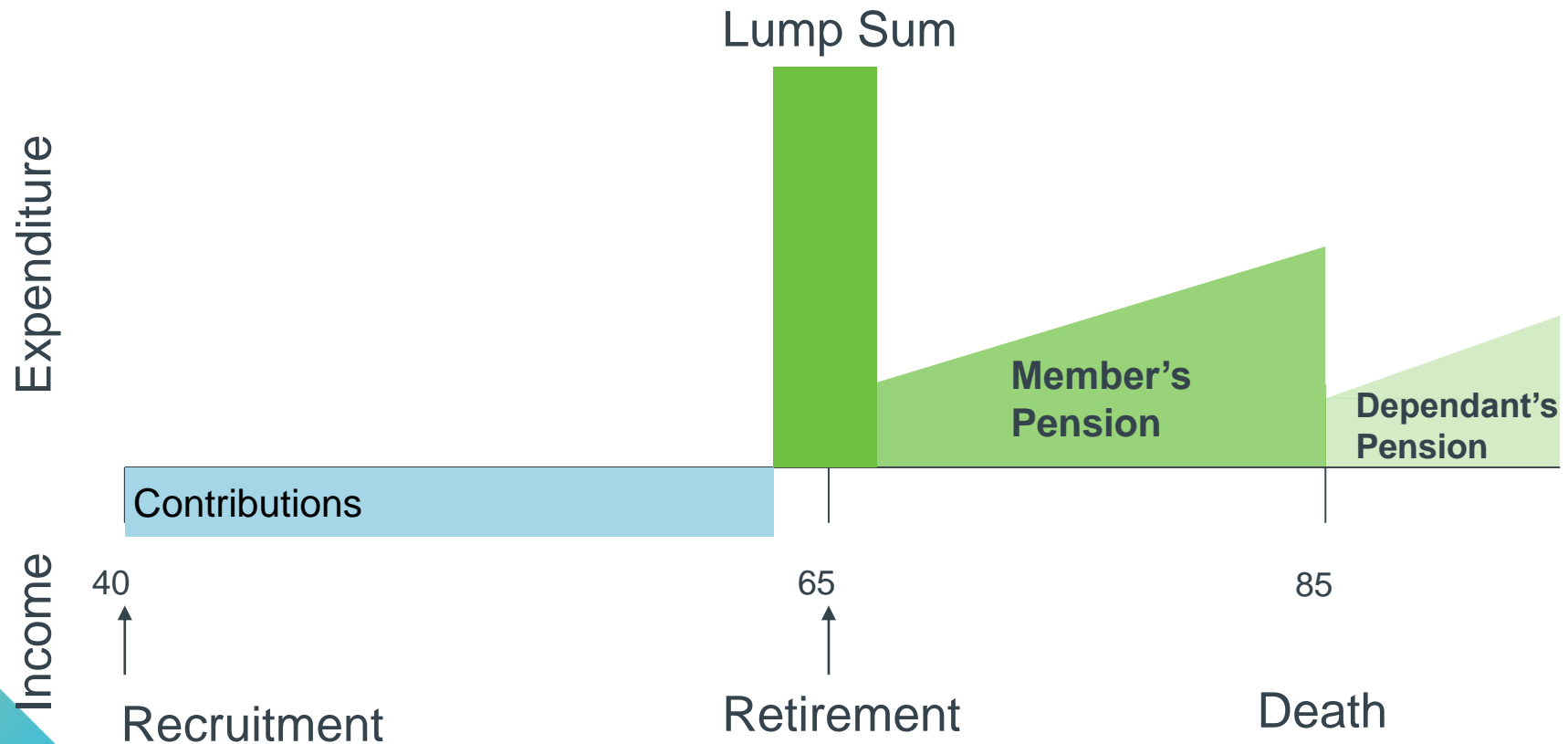


- Part of continual 'health check' on fund solvency

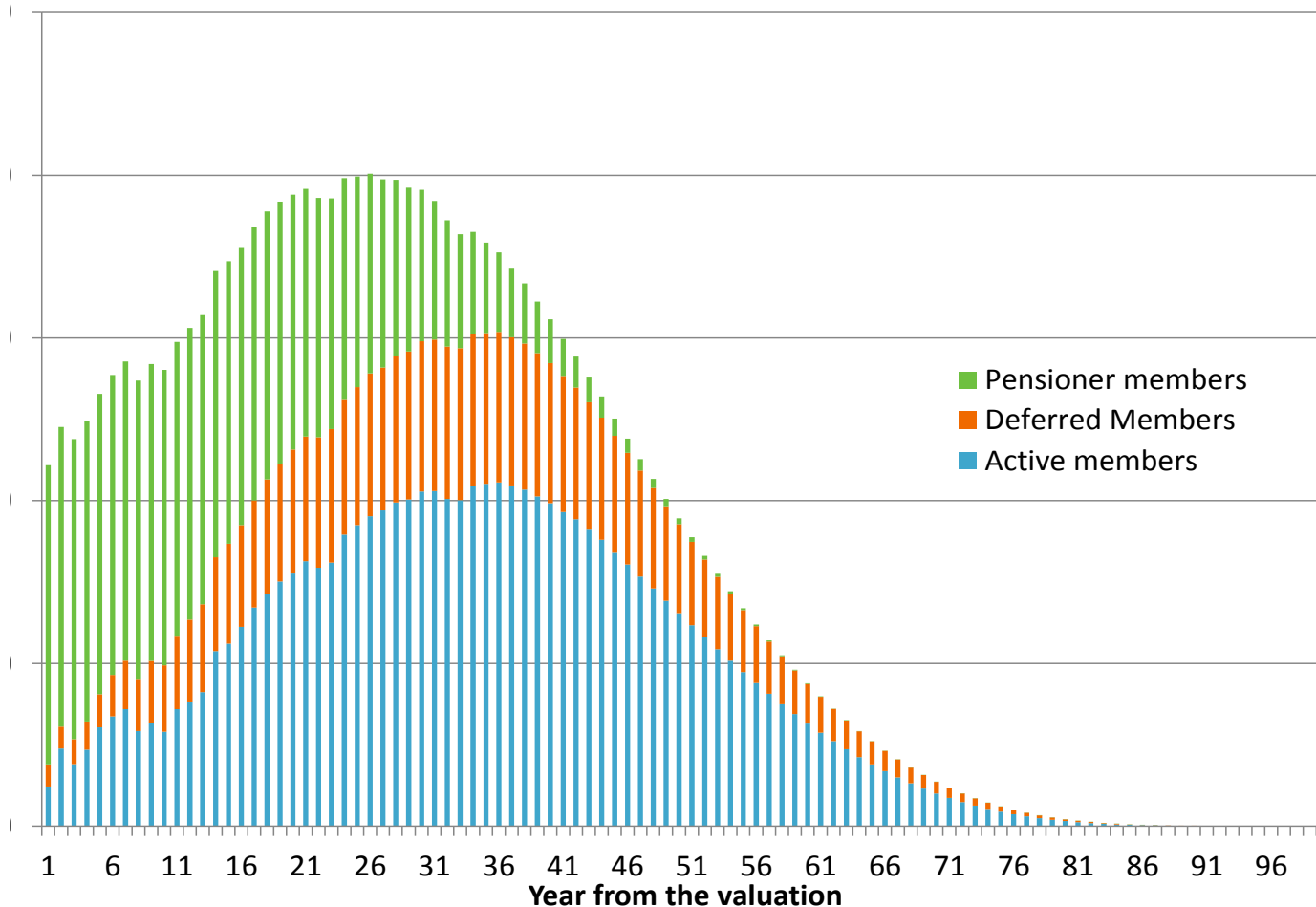
How we do the valuation



Benefit projections - individual



Benefit projections – whole Fund



We project future cashflows for every member to build up the picture for the whole fund

Funding position

Liabilities

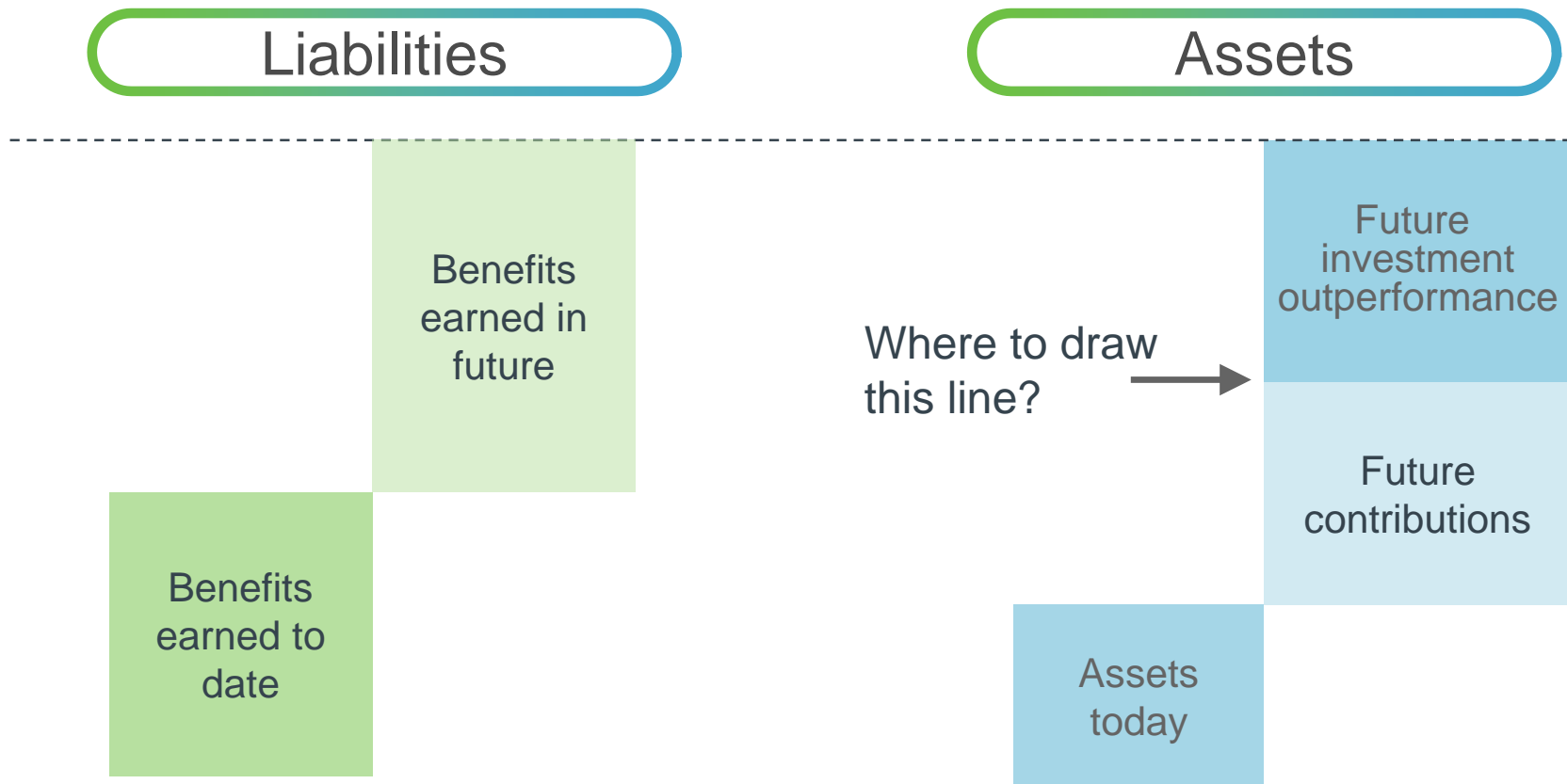
Assets

Benefits
earned to
date

Assets
today

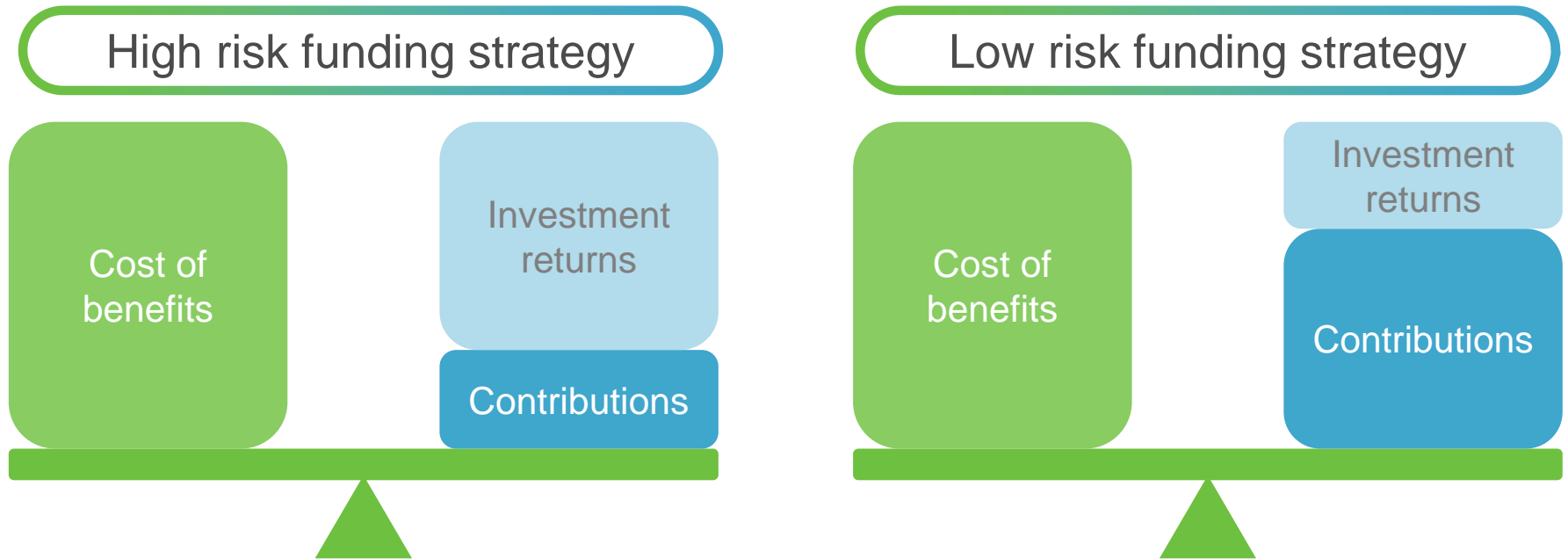
Most LGPS funds have not met their funding target for past service

Contribution calculations



The key valuation decision is the balance of contributions and investment performance

The funding strategy is a balancing act

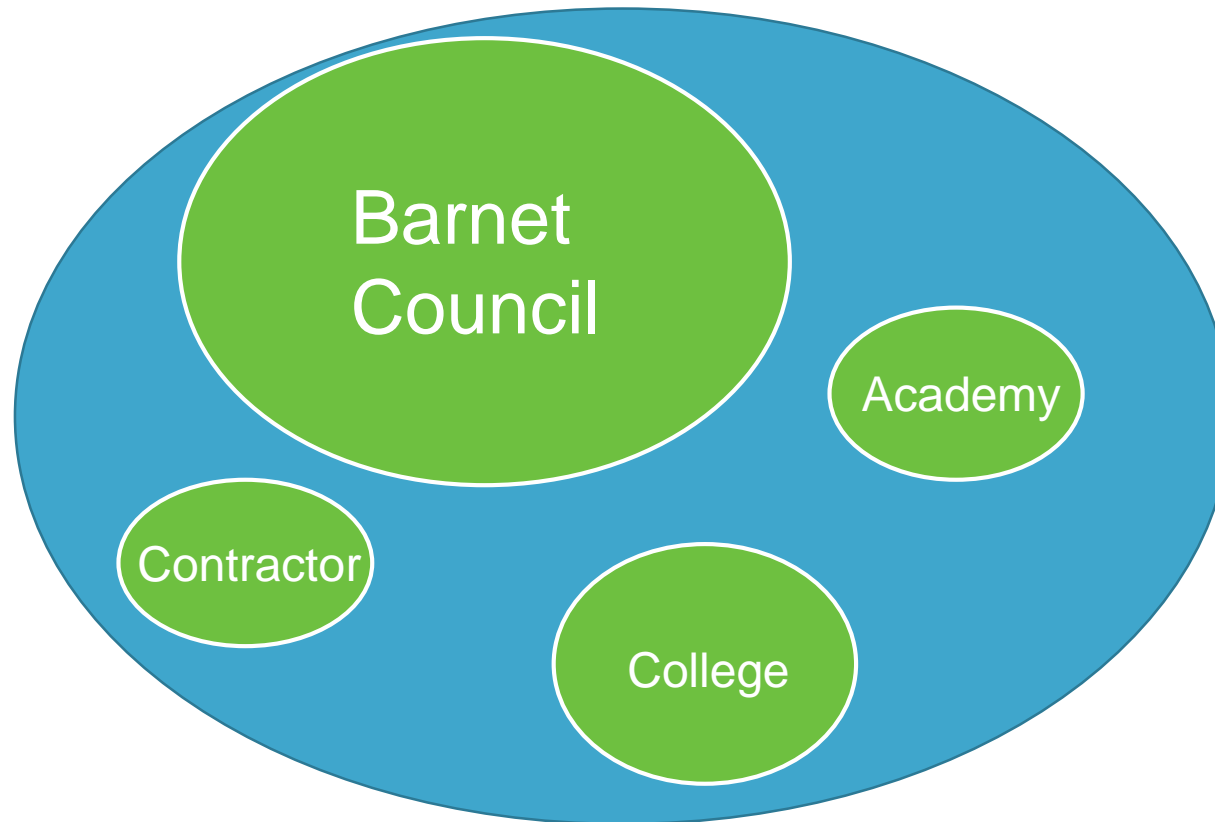


The cost of the benefits must be met somehow

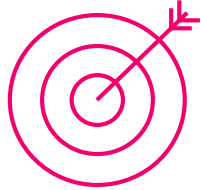
The key decision is the balance between contributions and investment returns

How do we set contributions with an appropriate level of risk?

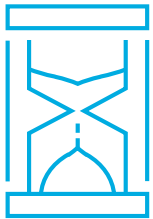
Each employer tends to its own patch



Funding strategy – 3 step approach



What is the funding target?



How long do we want to give the employer to get to the target?



How sure do we want to be that the employer hits the target?

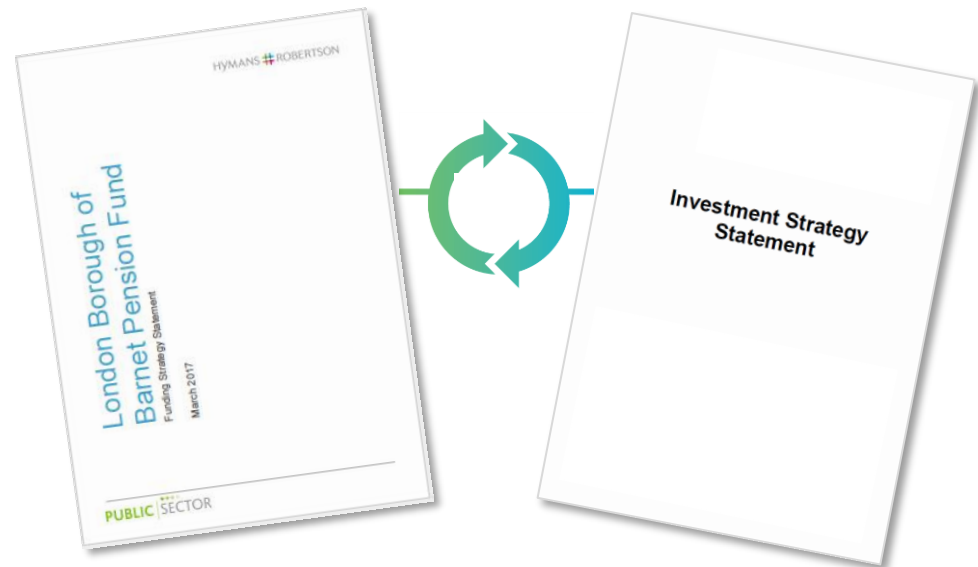
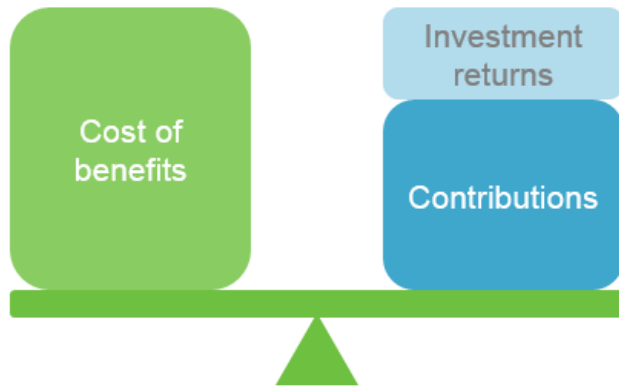
Different approaches for different employers



	Council	Academies	Colleges	"TABs"	"CABs"
	Ongoing	Ongoing	Ongoing	Ongoing	Cessation?
	Long	Long	Long	Short	Short
	Low	Low	Medium	Low	High

Consider employer covenant

The end result



Funding policy formalised in the Funding Strategy Statement and Investment Strategy Statement

What makes a good valuation?



What makes a good valuation?

Regulatory requirements

Data

- Submit and respond to validations
- Review Employer Database

Assumptions

- Agree assumptions based on Hymans Proposal

Employer Results

- Approve results for contribution purposes

Funding Strategy

- Single funding target
- Generic time horizon
- Single risk parameter

Best Practice

Data

- Data cleanse ahead of valuation
- Consult with actuary on significant issues
- Report back to Employers ahead of results

Assumptions

- Investigate choice of assumptions and make evidence based decisions

Employer Results

- Discuss results and test alternative contribution strategies
- Host employer forums

Funding Strategy

- Review Investment strategy as part of Funding strategy review
- Review time horizons for each type of Employer
- Review and mitigate potential funding risks

2016 valuation outcomes

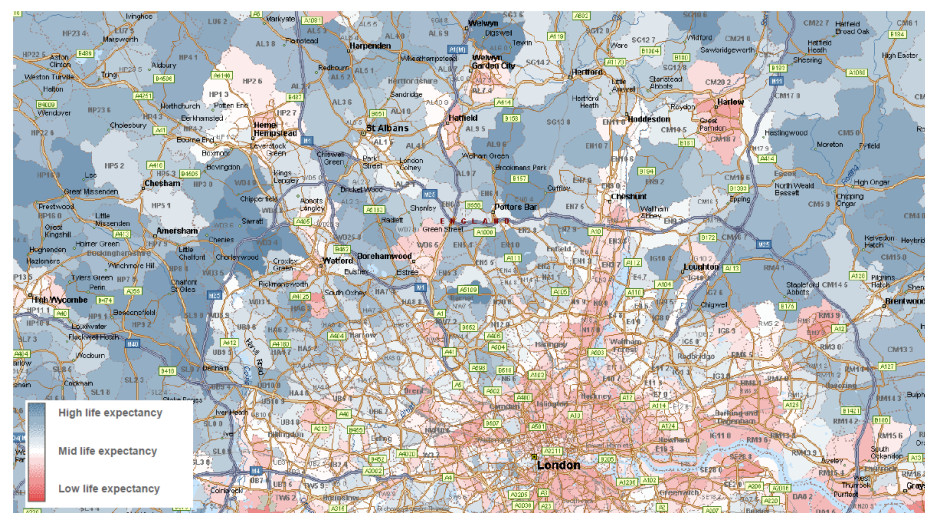


Barnet Fund 2016 valuation

- What data and assumptions were used?

Membership class	Number	Salary / pension
Active members (current employees)	22,300	£324 million p.a.
Deferred members (ex-employees)	33,600	£28 million p.a.
Pensioner members (retired & dependants)	18,200	£65 million p.a.

Assumption	2016 valuation
Discount rate (investment return)	Risk-free rate plus 2.0%
Salary growth	1% pa to 2020, then RPI
Pension increases (CPI)	RPI less 1%



Barnet Fund 2016 valuation

- What was the funding position?

	(£ million)
Active members (current employees)	371
Deferred members (ex-employees)	282
Pensioner members (retired & dependants)	603
Total Liabilities (L)	1,256
Total Assets (A)	916
Funding Level (A / L)	73%
Deficit (A less L)	(340)

How did this compare to other Funds?

“Section 13” Government Actuary report



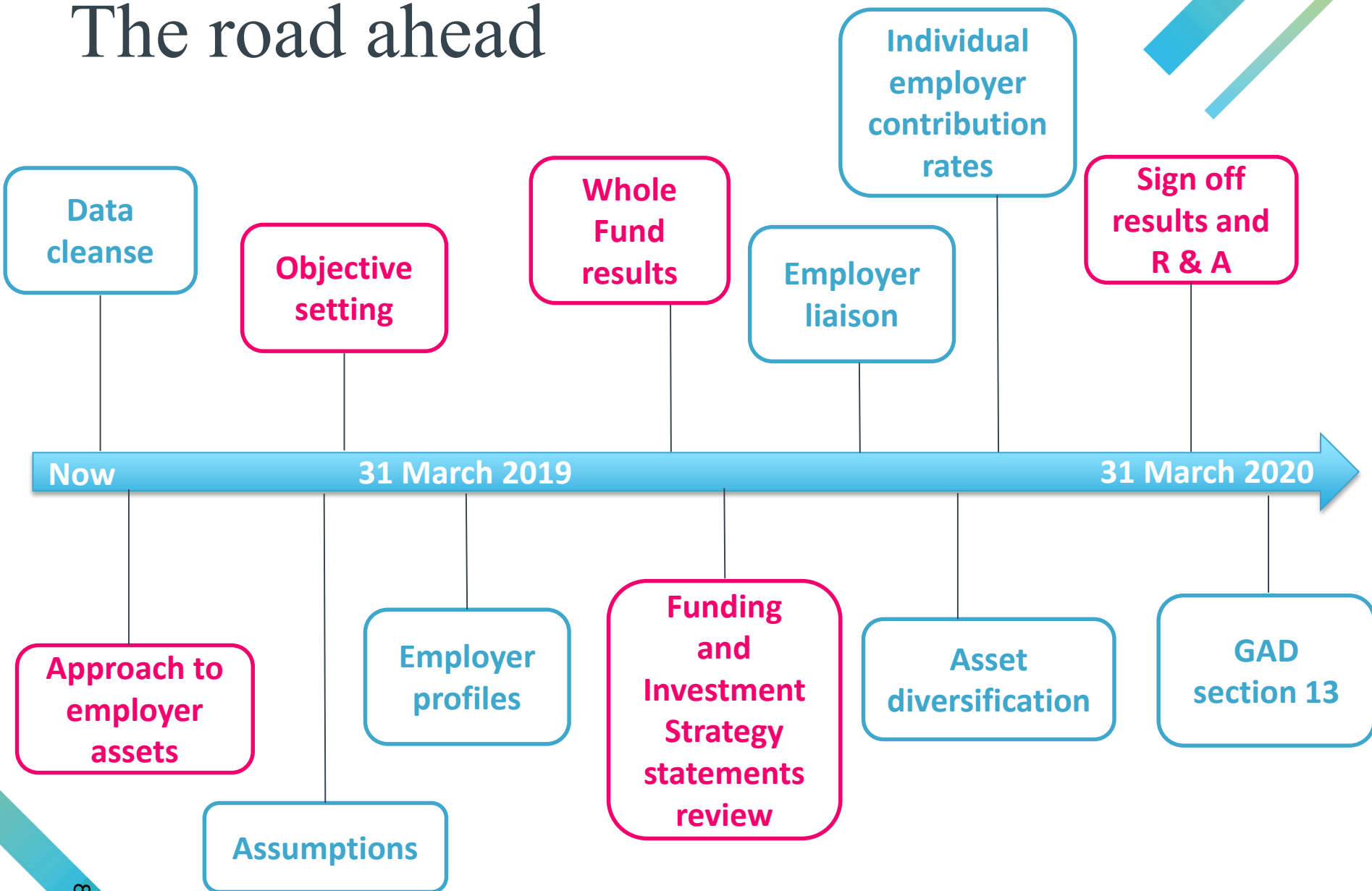
LB Barnet
(published basis)

LB Barnet
("like-for-like")

Looking forward to 2019



The road ahead



Everything relies on the data...



Data
cleanse

Now

31 March 2019

31 March 2020

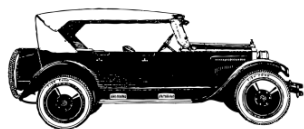


Key issues ahead of 2019



Cost management

Unfunded schemes' cost cap valuations



2016



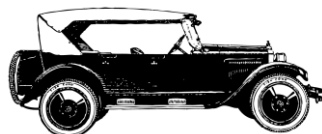
2020



2024



LGPS cost cap valuations



2016



LGPS Funding valuations



2016

2019



2022



2025



Will LGPS funding valuations align?

Longevity improvements stalling?



Health

UK among worst for life expectancy rises

🕒 7 August 2018 | 📰

f 🗨️ 🐦 ✉️ Share

MailOnline

Life expectancy of men and women in Britain has STOPPED getting longer, new figures reveal

- Improvements in life expectancy in the UK have almost come to a halt since 2010
- Lifespans have lengthened thanks to medical advances and economic changes
- Analysts appeared to challenge the suggestion that government cuts could be responsible

By STEVE DOUGHTY SOCIAL AFFAIRS CORRESPONDENT FOR THE DAILY MAIL

PUBLISHED: 01:04, 19 June 2018 | UPDATED: 13:10, 19 June 2018

What does this mean for the LGPS?


LGPS (Amendment) Regulations 2018

- LGPS Amendment regulations came into effect 14 May 2018
- Gives employers ability to access surplus on exit
- Fund must consider funding arrangements for admission bodies



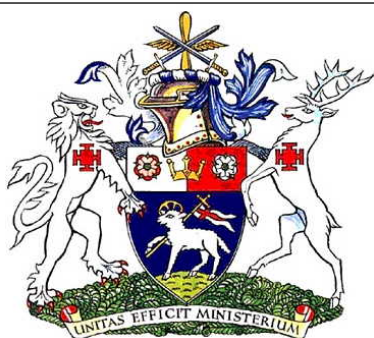
Better futures
aren't down
to chance





The material and charts included herewith are provided as background information for illustration purposes only. It is not a definitive analysis of the subjects covered, nor is it specific to circumstances of any person, scheme or organisation. It is not advice and should not be relied upon. It should not be released or otherwise disclosed to any third party without our prior consent. Hymans Robertson LLP accepts no liability for errors or omissions or reliance upon any statement or opinion.

AGENDA ITEM 9



Pension Fund Committee

16 October 2018

Title	Transfer Value in respect of Barnet Southgate College
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	N/A
Officer Contact Details	George Bruce, Head of Treasury & Pensions 0208 359 7126 george.bruce@barnet.gov.uk

Summary

Barnet and Southgate college merged in 2011 and the active members of Southgate College transferred from the Enfield scheme to Barnet Pension Fund. Enfield are seeking to retain deferred and pensioner members within their fund and requesting a transfer value of circa £4.2 million from Barnet Pension Fund. Negotiations are continuing with Enfield and their actuary. The Actuary is attending the meeting and will appraise the Committee of the issues and potential approaches to resolve.

Recommendations

1. That the Pension Fund Committee note the ongoing discussions with Enfield and that proposals to resolve the transfer will be submitted to the Committee for approval at a later date.

1. WHY THIS REPORT IS NEEDED

- 1.1 At the June 2018 meeting, the Committee was notified of a pension issue connected with the merge of Barnet and Southgate colleges at 31 October 2011. Since the June meeting the Scheme Actuary has been reviewing the proposals from Enfield Council and seeking opportunities for a better outcome for the college as a participating employer within the Barnet scheme. The Actuary will be attending the meeting and will discuss ways to resolve this issue. The rest of the paper is a summary of the background and is an extract of the paper presented to the June meeting.
- 1.2 Given the slow progress to date, putting a timescale on resolution is guesswork. The Committee's and the College will be asked to approve any final proposals.

Background

- 1.3 As part of the merger of Barnet and Southgate Colleges, the active employees of Southgate college transferred to the Barnet Pension Fund. Barnet assumed responsibility for past service accrued when the transferred employees were members of the Enfield scheme.
- 1.4 Since 2011 there has been an ongoing debate concerning the treatment of former Southgate staff who were either Enfield pensioners or deferred scheme members as at October 2011 and the appropriate transfer value to be paid to compensate Barnet for taking on the liability for past service of active staff who transferred to the Barnet Pension Fund in 2012. As will be explained below the Enfield position is that Barnet Pension Fund should pay Enfield an estimated £4.2 million.
- 1.5 The suggestion that the Barnet Pension Fund pay Enfield for taking on past service liabilities of transferred staff is counter intuitive. Normally the transfer value would be paid by Enfield to Barnet as the latter will be taking on pension liabilities that had been accumulated in the Enfield Fund. The rationale for the 'reverse' transfer value is due to the approach taken to calculating of the value of assets that Enfield requires to pay former Southgate staff who were pensioners or deferred members of the Enfield Fund as at 2011, as discussed below.
- 1.6 Pension funds normally calculate the value of assets required to pay liabilities assuming an investment return that is based on a reasonable expectation of future investment returns. When an employer ceases, the fund can take a more cautious approach and assume a lower (gilt based) return. This leads to a higher calculation of the required value of assets to meet the liabilities. Often the increase in the value placed on the liabilities is around 50%. When Enfield's Actuary undertook this calculation, they calculated that the Southgate fund had insufficient assets to cover the pensioner and deferred

liabilities by £2.287 million as at October 2011. This liability has been inflated by missed investment returns since 2011 and is now estimated at £4.2 million. Thus, the proposal is that Barnet Pension Fund pay £4.2 million to Enfield to balance their retained liabilities and we receive no assets for taking on the active liabilities.

- 1.7 All pension fund assets and liabilities are allocated to individual employers. The liabilities of active transferred staff were included within the Barnet Southgate sub-fund at the 2016 actuarial valuation and were factored into the contribution payments. If we were to accept the Enfield proposal the payment to Enfield will be taken out of the College's assets within the Barnet Pension Fund and the college will be required to pay additional contributions. If the College pays the additional contributions there will be no implications for other employers in the fund.
- 1.8 The College has been informed of the position and expressed surprise. A former officer of the College agreed to the 2015 proposal but this knowledge appears to have been lost with staff changes.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The recommendation is for noting. The current Enfield proposals are not seen as the best outcome for either the Barnet Pension Fund or Barnet Southgate College.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None – alternatives will be offered when a decision is required.

4. POST DECISION IMPLEMENTATION

- 4.1 Further discussions are ongoing involving officers from Enfield, Barnet, their actuaries and Barnet Southgate College.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The funding of the Barnet Southgate sub-fund within the pension fund has no implications for Barnet Council.

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

- 5.2.1 The payment of a transfer value has significant financial implications for Barnet Southgate College in that their share of the pension fund assets will decrease and their (and the overall) deficit will increase by the value of the proposed payment. Should Enfield's approach be adopted, the colleges schedule of contributions will require revision to increase the deficit

contributions. There are no implications for the other employers, including the Council.

5.3 Social Value

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

5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution (Article 7) – includes Committee responsibilities for actuarial and funding matters, which are relevant to this issue
- 5.4.2 The Local Government Pension Scheme Regulations 2013, regulation 98, requires transfers involving two or more members to be treated as bulk transfers and agreed by both administering authorities and the employer.

5.5 Risk Management

- 5.5.1 There are no risk management issues.

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, marriage and civil partnership.

5.7 Consultation and Engagement

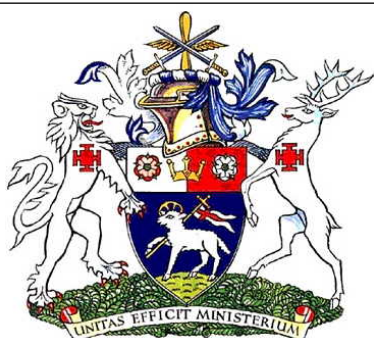
- 5.7.1 Not required.

5.8 Insight

- 5.8.1 Not used - external report.

6. BACKGROUND PAPERS

- 6.1 Paper to Pension Fund Committee, 26 June 2018, agenda item 9, Transfer Value in respect of Barnet Southgate College.



Pension Fund Committee

16 October 2018

Title	Update on Admitted Bodies Organisations
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Admitted Bodies Monitoring Sheet
Officer Contact Details	George Bruce, Head of Treasury, CSG George.bruce@barnet.gov.uk 02083597126

Summary

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

Recommendations

That the Pension Fund Committee:

- note the update concerning admissions, cessations, bonds and the monitoring of contributions as detailed below and in Appendix 1.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Report is to update the Pensions Fund Committee on the current position in terms of admitted bodies to the London Borough of Barnet Pension Fund. The report is divided into sections on admissions, cessations, bonds and the monitoring of contributions.

Admissions

- 1.2 There are no new employers seeking to participate in the pension scheme. Discussions are continuing with Elior (approved June 2018) to agree the terms of the admission agreement.

Cessation

- 1.3 When an employer ceases to have active members a cessation valuation is triggered. The Actuary values the pension assets and liabilities allocated to that employer. Should there be a deficit of assets, a payment is demanded from the employer of the deficit value. Historically, any surplus of assets is retained within the fund. The basis of the valuation is set out in the admission agreement. There are two employers for whom cessation valuations are required – Housing 21 and GLL. In both cases the Actuary requires data from the administrator.
- 1.4 The Regulations covering cessations have recently been changed to require a surplus on a cessation to be repaid to the employer. This addresses what was seen as an anomaly with deficits being recoverable from the employer but surpluses retained within the fund. This acted against employers paying off deficits quickly if this could result in a surplus that was not recoverable. Discussions are currently ongoing with the Actuary to identify the implications of the change in Regulations e.g. the continued appropriateness of the assumptions used to calculate the cessation funding position.

Bonds and Guarantees

- 1.5 The attached schedule sets out the current provision of bonds for all admitted employers (those that are not schools or colleges). Listed below are the employers whose bonds have (or will soon) expire and have not been renewed.

Awaiting bond value evaluation by the Actuary (information provided by Administrator)

Mears Group – expired 30 Sept 2017
NSL – expired 30 April 2017
OSC Group – expired 31 May 2017
Viridian Housing – expired 16 August 2016
Barnet Educational Trust – 28 February 2016
Capita CSG – expires 24 Nov 2018
Capita RE – expires 24 Nov 2018

Information provided to Actuary, Awaiting Calculations

Servest (Henrietta School) – expires 1 November 2018

Hestia – expiry date not known

Ridgecrest Cleaning – expires 30 September 2018

Monitoring of Contributions

- 1.6 Previously, these quarterly reports have indicated that all contributions due by employers had been paid. This is not correct. The monitoring of contributions by the Administrator has been limited to checking that the amounts paid by each employer are consistent with the payroll returns submitted by that employer. No checks have been undertaken that the rates of contributions are in accordance with those set by the Scheme Actuary. The Administrator is reviewing their processes with the objective of including checks that the contributions paid are at the correct rate.
- 1.7 For two employers, deficit contributions due in 2017-18 have not been paid. These are Capita RE and Capita CSG. In aggregate, deficit contributions of £1.179 million remain unpaid for the year to 31 March 2018. This sum was provided for within the Pension Fund Accounts. A further £1.208 million is due for the year to 31 March 2019. Capita were aware that the payments are due and had sought supporting information when the schedule of contributions was first issued (March 2017). The lack of monitoring of contributions has resulted in the failure to pay not being identified until April 2018. Capita have indicated that payment will be made before the Committee meeting.
- 1.8 The Committee will wish assurance that no other contributions are being underpaid. The audit of the pension fund accounts included testing of contributions received and did not identify any employers paying the incorrect rate of contributions. This provides some assurance that the rates being paid are in line with the schedule of contributions. However, a procedure that checks rates for all employers is required.

2. REASONS FOR RECOMMENDATIONS

- 2.1 There is no action required of the Committee.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 When bond values have been calculated, employers will be required to provide evidence that bonds or guarantees are in place.

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 The lack of adequate monitoring of contributions paid results in a risk that errors, including underpayments will not be identified.

5.2.3 The administration strategy statement provides the right to charge interest on late payments of contributions on the basis set out within Regulation 71 of The Local Government Pension Scheme Regulations 2013. Interest can be charged from a date one month after the payment was due, calculated at one per cent above base rate on a day to day basis from the due date to the date of payment.

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 The Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee. This report is in line with this.

5.5 Risk Management

5.5.1 The ongoing viability of the Pension Fund is dependent on acquiring assets that match the pension liabilities. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels 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, bond agreements and contributions 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

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, marriage and civil partnership.

5.7 Consultation and Engagement

5.7.1 Not Applicable

5.8 Insight

5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 None

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employers
listing

Current Admitted Body Status

Admitted Body	Active Employees	Start Date	Guarantor	Bond Value	Bond Expiry Date	Bond Status	Comment / Action
Status GREEN							
Absolutely Catering (2) (St James' Catholic School)	8	01/01/2016	tbc	£33,000	01/01/2019	GREEN	
Freemantle Trust (2)	83	28/03/2014	Allied Irish Bank	£800,000	05/12/2018	Amber	
Greenwich Leisure / GLL	16	31/12/2002	Tokyo Marine HCC	£162,000	30/11/2020	Green	
Capita Re	156	30/09/2013	Barclays Bank	£3,812,000	24/11/2018	Amber	Information has been provided to the Actuary to enable the bond value to be calculated.
Capita CSG	190	30/09/2013	Barclays Bank	£4,731,000	24/11/2018	Amber	Information has been provided to the Actuary to enable the bond value to be calculated.
Status RED							
Mears Group	19	10/04/2012	Euler Hermes	£320,000	30/09/2017	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
NSL	31	01/05/2012	Lloyds TSB	£412,000	30/04/2017	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
OSC Group	13	31/05/2014	HSBC	£102,000	31/05/2017	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
Viridian Housing	11	22/04/2006	Euler Hermes UK	£65,000	16/08/2016	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
Servest (Henrietta Barnet School)	1	01/10/2015	tbc	£7,000	01/10/2018	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
Barnet Educational Arts Trust (BEAT)	2	01/03/2013	n/a	£24,000	28/02/2016	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
Hestia (Domestic Violence Service)	1	18/04/2016	tbc	£15,000	tbc	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
Ridgecrest Cleaning	4	03/11/2014	HCC International	£14,000	30/09/2018	RED	Information is awaited from the Administrator to enable the bond value to be calculated.
Elior (two catering contracts)	8	01-Sep-17	None	£23,000	not provided.	RED	A parent company guarantee has been accepted and documentation will be provided when the admission
Churchill Catering (Queenswell School)	4	May-16				RED	Information is awaited from the Administrator to enable the bond value to be calculated.
Bond not required							
Hartwig	1	23/06/2014	N/A	N/A	N/A	N/A	Liabilities retained by LBB - no bond required
Allied Healthcare (NB 2 contracts)	4	23/06/2014	N/A	N/A	N/A	N/A	Liabilities retained by LBB - no bond required
ISS (Education and Skills - LBOB Catering)	233	01/04/2016	N/A	N/A	N/A	N/A	LBB Guarantor - no bond required
Cambridge Education (Mott McDonald -Education and Skills LBOB non-catering)	113	01/04/2016	N/A	N/A	N/A	N/A	LBB Guarantor - no bond required
Allied Healthcare (Homecare procurement) NB 2 contracts	5	01/08/2016	N/A	N/A	N/A	N/A	LBB Guarantor - no bond required

Your Choice			N/A	N/A	N/A	N/A	Your Choice is owned by Barnet Council. No bond is required. Have enquired as to admission agreement. No sure if one is required. If it did, it would record the Council as guarantor for the liabilities of Your Choice.



Pension Fund Committee

16 October 2018

Title	London CIV Pooling Update and allocation to European Private Debt Lending
Report of	Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Matching of Barnet investments to LCIV offerings.
Officer Contact Details	George Bruce, Head of Treasury, CSG george.bruce@barnet.gov.uk - 0208 359 7126

Summary

LB Barnet Pension Fund is required by Government over an extended timescale to transfer its investments to oversight by the London CIV. This will involve disposing of investments that are not available on the LCIV platform. This paper considers the LCIV options for each of Barnet's existing investments.

Recommendations

- i. That the Committee consider a proposal in respect of the allocation to European Private Debt Lending.

1. WHY THIS REPORT IS NEEDED.

Background

- 1.1 The Government has published guidelines requiring all Local authority pension funds to delegate the appointment, monitoring and agreement of fees to a multi authority pooling entity. The Barnet Pension Fund has selected the London CIV (LCIV) for pooling and alongside all the other London local authorities is a shareholder in the LCIV. The timetable for completion of pooling is not stated although progress will be monitored and the Government has reserve powers should it believe that insufficient progress is being achieved on pooling.
- 1.2 At present, Barnet has transferred the holdings in Newton Real Return fund (market value £127 million) to the CIV. In addition, fees for the Legal and General investments (market value £463 million) were negotiated by the CIV and the Government has agreed that passive funds can remain outside of pooling if the mandates are monitored by the pools.
- 1.3 In aggregate, £16bn of assets are under LCIVs oversight from 31 London local authorities, representing 40% of London assets. In the current year, there will be an annualised £6m of savings in management fees for London Boroughs, which exceeds the cost of operating the CIV.
- 1.4 Pooling is primarily designed to (1) reduce fund manager costs, and (2) deliver improved manager selection decisions. Barnet is currently enjoying fee savings of £683,000 p.a. on Legal and General and Newton fees.
- 1.5 The LCIV in agreement with the London local authorities has restructured its governance arrangements, introducing a shareholder committee of twelve to be the main forum for dialogue with the London authorities. Councillor Shooter is a member of this Committee

Available Investment Funds

- 1.6 The LCIV currently has 14 funds available for investment. These cover equities, multi asset (diversified growth funds) and fixed income / bonds. Another four fixed income funds are due for launch / awaiting first client. These are discussed below. Also expected to follow shortly are three additional funds, one each for infrastructure, property and equity.
- 1.7 Pooling the Barnet investments entails transitioning the current investments into those funds that are under LCIV oversight. The two existing mandates with the LCIV (Legal & General and Newton) involved continuity of fund / manager. It is unlikely that many of the other funds appointed by Barnet will be available on the LCIV platform and therefore pooling will involve disposing of most / all of our current investments. There is no exact date as to when pooling is required although it is anticipated that Government monitoring of the pools will intensify over time with greater questioning of pooling plans. The immediate focus will be on new appointments but at some point Government will also look at existing investments.

- 1.8 A meeting was held with the LCIV in September and part of the discussion involved matching the current Barnet holdings with those on the LCIV platform. The 'matching' is summarised on appendix 1.
- 1.9 Barnet has seven credit mandates at present. The LCIV has matched three mandates each to their Multi Asset Credit Fund and the Private Debt Fund. Work is ongoing to determine the extent of the match and whether switching will involve a change in structure, risk / return expectation or quality of manager. Priority will be given to the Private Debt Fund. Barnet's current investment in the Alcentra Clareant European Direct Lending Fund has reached the end of its investment period and will commence distributing cash as the underlying investments are realised. Alcentra is raising a successor fund and to retain the current allocation to this asset class will require the Committee to make a new commitment to either Alcentra or the LCIV alternative. If the evaluation is completed prior to the Committee meeting a proposal as to which fund to invest will be made.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The payment of LCIV fees is in line with arrangements agreed by all London Boroughs. The proposal to develop pooling plans at investment level recognises the Government's intention that substantially all assets will be pooled.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 By developing pooling plans, the Committee will be in a better position to identify assets to be pooled, those to be excluded and review the future for each current investment appointment.

4. POST DECISION IMPLEMENTATION

- 4.1 Pooling proposals will be brought back to a future meeting of the Committee.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 To ensure that the Pension Fund is being invested prudently and to the best advantage to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities (2015-2020).

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

5.2.1 There are no direct resources issues for the council. Improved Pension Fund performance or reduced costs will in the lower term impact favourably on contributions paid by employers (including the Council) to the Pension Fund.

5.2.2 Pooling is intended to save costs and fees will be considered as part of the evaluation of the LCIV offerings.

5.3 Social Value

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

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

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

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

5.4 Legal and Constitutional References

5.4.1 The Council's Constitution – Article 7, details the responsibilities of the Committee, including to the appointment of Pension Fund investment managers.

5.4.2 Regulation 9 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permits the appointment of investment managers after taking into consideration proper advice. Regulation 8 provides powers of direction for the Secretary of State. The Local Government Pension Scheme: Investment Reform Criteria and Guidance issued by the Dept. for Communities and Local Government (November 2015) requires LGPS funds to pool their investment for manager selection and monitoring purposes.

5.5 Risk Management

5.5.1 Risk management is central to the Local Government Pension Scheme (LGPS). LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 One of the stated purposes of the LCIV is to improve governance relating to fund manager appointments and monitoring thereby reducing the risk of poor

investment performance to the Pension Fund and employers.

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

5.7 Consultation and Engagement

- 5.7.1 N/A.

5.8 Insight

- 5.8.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Criteria and Guidance for Pooling

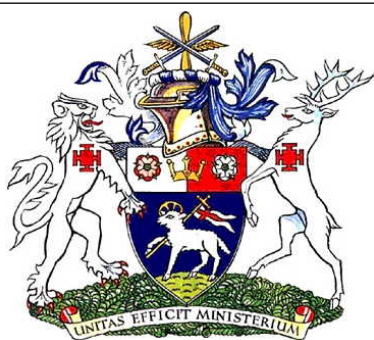
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf

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Matching of Barnet Investments to London CIV Mandates

	Value as at 31.8.2018 £'m	Currently Pooled	LVIC Alternative	Comments
Equities				
LGIM Global	237	Yes	n/a	
LGIM RAFI	226	Yes	n/a	
Diversified Growth				
Schroder	143	No	There are four DGF funds on the LCIV platform including Newton.	The Hymans modelling suggests replacing the allocation to DGF's and it is not currently intended to retain this allocation in the longer term.
Newton	127	Yes	n/a	
Multi Credit Liquid				
Baring Global High Yield	38	No	LCIV MAC Fund	The LCIV MAC funded was launched in May 2018 and currently has six investors with £500 million invested. It is managed as part of the CQS Credit Multi Asset Fund.
Alcentra	35	No	LCIV MAC Fund	
Insight Secured Finance	42	No	LCIV MAC Fund	
Corporate Bonds				
Schroder	118	No	Active Credit	No appropriate fund currently available
Illiquid Alternatives				
Alcentra	28	No	LCIV Private Debt	The LCIV private debt fund is managed by Ares and is currently awaiting its first investor.
Partners Group	48	No	LCIV Private Debt	
M&G Lion Credit Opportunities	31	No	LCIV Private Debt	
IFM Global Infrastructure	53	No	The LCIV infrastructure fund is expected to be launched Q4, 2018. No details of the manager currently available.	The underlying investments periodically redeem. Barent has opted to re-invest realisation proceeds. When the LCIC offering is known the option to switch redemptions into the LCIV offering will be considered.

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Pension Fund Committee

16 October 2018

Title	Training Needs Self-Assessment Questionnaire
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – questionnaire
Officer Contact Details	George Bruce, Head of Treasury, 0208 359 7126

Summary

Members of the Committee are requested to complete the attached self-assessment training questionnaire. Feedback on a collective basis will be provided to the Committee

Recommendations

That the Committee endorse completion of the questionnaire.

1. WHY THIS REPORT IS NEEDED

- 1.1 In order to be effective, it is important that all those involved with the running of the Barnet Pension Fund have a good understanding of pension matters. There is no legal requirement for members of the Committee to demonstrate their knowledge and skills in pensions. However, CIPFA has issued a best practice Code of Practice. Training has been provided to Committee members on a collective basis and it is intended that training prior to Committee meetings will be used to introduce complex topics that require decisions at the Committee.
- 1.2 To plan future training, the attached questionnaire has been prepared based on the CIPFA Code of Practice. The Committee is asked to endorse its completion. The responses will be aggregated and reported back in summary form to the Committee together with a plan for collective Committee training. The individual responses will not be published. It is suggested that officers discuss with each member of the Committee if they wish to undertake additional training e.g. with officers, advisors or external events.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Providing Members with adequately trained opportunities is necessary to achieve good governance.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable in the context of this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Responses to the questionnaire will be summarised and reported to the Committee together with a training plan.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 N/A

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

- 5.2.1 The cost of training will be provided from the assets of the Pension Fund. The Committee will be notified quarterly of training costs incurred and if the projected annual costs exceeds £10,000 in aggregate.

5.3 Social Value

- 5.3.1 N/A.

5.4 Legal and Constitutional References

5.4.1 There are no legal requirements for members of the Pension Fund Committee to undergo training. The questionnaire is based on best practice as represented by the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

5.4.2 The Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee. This report is in line with this

5.5 Risk Management

5.5.1 Providing good training opportunities to Members of the Committee will improve decision making and mitigate the risks of poor decisions.

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

5.7 Consultation and Engagement

5.7.1 Not required.

5.8 Insight

5.8.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 N/A

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London Borough of Barnet Pension Fund

Pension Fund Committee / Local Pension Board Training Needs Self-Assessment Questionnaire

Introduction

The role of Pension Fund Committee and Local Pension Board members is demanding, covering a wide range of complex issues. The attached training needs self-assessment has been developed using the Pensions regulator's toolkit. The feedback from Committee and Board members will be used to develop both collective and individual training plans.

Completing the Questionnaire

Individual members of the Committee and Board are likely to have differing experience and knowledge. The questionnaire has been designed to help you identify your current level of knowledge and to identify where there may be gaps.

Please assess your knowledge and understanding of each aspect by placing an X in the appropriate box against the following scale:

- 1 Some knowledge
- 2 Broad knowledge
- 3 Expert / in-depth knowledge

In addition, please write Yes or No in the "more training required" box.

If you wish to discuss the completion of the assessment please contact George Bruce (02083597126) or george.bruce@barnet.gov.uk.

An extract from the Pensions Regulators Code of Practice that outlines the training requirements of members of the Local Pension Board (and by implication the expectations of members of the Pension Fund Committee) is attached at appendix A.

What Happens next?

Your responses to the questionnaire will be used by the officers to identify skills gaps / collective needs with a view to establishing individual training plans as well as future collective training for the Committee and Board. Committee and Board members will be invited to discuss their training requirements and how these can be best addressed.

Please return completed forms to:

George Bruce, Head of Treasury, LB Barnet, North London Business Park, Oakleigh Road South, London, N11 1NP

By email: george.bruce@barnet.gov.uk

Your name:		Have you completed The Pension Regulators online Public Service Toolkit		Yes / No	
Date of Completion:					
Topics		Some Knowledge	Broad Knowledge	Expert / in-depth Knowledge	More Training Required (yes / no)
Legislative and Governance Context					
Awareness of the law relating to pensions in the UK.	Public Service Pensions Act 2013				
Overall understanding of the Local Government Pension Scheme regulations in relation to benefits, administration and investments.	The Local Government Pension Scheme Regulations 2013, The Local Government Pension Scheme (Amendment) Regulations 2015, The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.				
Knowledge of the discretion policies in place for the fund and other policies regarding administration.					
Understanding of the role and powers of the Administering Authority (the Council), the Pensions Regulator, the Scheme Advisory Board and the Pensions Ombudsman.	TPR Code of Practice 14				
Understanding of the role of the Pension Fund Committee, Local Pension Board, Director of Finance and Monitoring Officer	The terms of reference of the Committee and Board and matters delegated to the S151 officers.				
Working knowledge of the Barnet statutory statements	Investment Strategy Statement, Funding Strategy Statement, Communications Statement, Governance Compliance statement, Internal Disputes Resolution Procedures, Administration Strategy Statement.				

Topics	Examples	Some Knowledge	Broad Knowledge	Expert / in-depth Knowledge	More Training Required (yes / no)
Accounting and Auditing Standards Awareness of the Accounts and Audit regulations and legislative requirements relating to the signing off the accounts and annual report. Awareness of the role of both external and internal audit in the governance and assurance process.					
Procurement of Financial Services and Relationship Management General understanding of the main public procurement requirements of UK and EU legislation and how they apply to procuring services for local authority pension funds. Awareness of suppliers' risk management and the nature and scope of risks to be considered when selecting third parties.					

Topics	Examples	Some Knowledge	Broad Knowledge	Expert / in-depth Knowledge	More Training Required (yes / no)
Investment Performance and Risk Management Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long term risks. Awareness of the Myners principles of performance management and the approach adopted by Barnet. Awareness of the range of support services, who supply them and the nature of the performance monitoring regime. Familiarity with the Scheme risk register and the management of the main risks faced by the pension fund.	Actuarial, investment advisory, custody etc.				
Financial Markets and Investment Products Awareness of the risk and return characteristics of the main asset classes and understanding of the role of these asset classes in long term pension fund investing. Understanding of the primary importance of the investment strategy decision. A broad understanding of the workings of the financial markets and of investment vehicles available to the pension fund and the nature of the associated risks. An awareness of the limits placed by regulations on the investment activities of local government pension funds.	Limits within the investment strategy statement and pooling / the London CIV.				

Topics	Examples	Some Knowledge	Broad Knowledge	Expert / in-depth Knowledge	More Training Required (yes / no)
Actuarial methods, standards and practices Knowledge of the actuarial valuation process, including developing the funding strategy in conjunction with the Scheme Actuary and inter-valuation monitoring. Awareness of the importance of monitoring early and ill-health retirement strain costs. A broad understanding of the implications of including new employers into the Fund and of the cessation of existing employers. A general awareness of the relevant considerations in relation to outsourcing and bulk transfers.					
Comments and / or other Training needs					

Knowledge and Understandings Requirements

Extract from Pension Regulator's Code of Practice

40. Pension board members must be conversant with their scheme rules, which are primarily found in the scheme regulations, and documented administration policies currently in force for their pension scheme. Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.
41. They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.
42. In terms of documented administration policies, specific documents recording policy about administration will vary from scheme to scheme. However, the following are examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:

Any scheme-approved policies relating to:

- conflicts of interest and the register of interests
- record-keeping
- internal dispute resolution
- reporting breaches
- maintaining contributions to the scheme
- the appointment of pension board members

Risk assessments/management and risk register policies for the scheme.

Scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures.

The roles, responsibilities and duties of the scheme manager, pension board and individual pension board members

Terms of reference, structure and operational policies of the pension board and/or any sub-committee

Statements of policy about the exercise of discretionary functions

Statements of policy about communications with members and scheme employers

The pension administration strategy, or equivalent, and
Any admission body (or equivalent) policies.

43. For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.
44. Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:
 - the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme
 - statements of assurance (for example, assurance reports from administrators)
 - third party contracts and service level agreements
 - stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues
 - scheme annual reports and accounts
 - accounting requirements relevant to the scheme
 - audit reports, including from outsourced service providers, and
 - other scheme-specific governance documents.
45. Where DC or DC AVC options are offered, pension board members should also be familiar with the requirements for the payment of member contributions to the providers, the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.
46. Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.

Degree of knowledge and understanding required

47. The roles, responsibilities and duties of pension boards and their individual members will vary between pension schemes. Matters for which the pension board is responsible will be set out in scheme regulations. Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.

48. Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.
49. Pension board members must have a working knowledge of their scheme regulations and documented administration policies. They should understand their scheme regulations and policies in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.
50. Pension board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.
51. Pension board members should be able to identify and where relevant challenge any failure to comply with:
- the scheme regulations
 - other legislation relating to the governance and administration of the scheme
 - any requirements imposed by the regulator, or
 - any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator.
52. Pension board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.
53. Pension board members of funded pension schemes should ensure that they have the appropriate degree of knowledge and understanding of funding and investment matters relating to their scheme to enable them to effectively carry out their role. This includes having a working knowledge of provisions in their scheme regulations and administration policies that relate to funding and investment, as well as knowledge and understanding of relevant law relating to pensions.
54. All board members should attain appropriate knowledge so that they are able to understand the relevant law in relation to their scheme and role. The degree of knowledge and understanding required of pension board members may vary according to the role of the board member, as well as the expertise of the board member. For example, a board member who is also a pensions law expert (for instance, as a result of their day job) should have a greater level of knowledge than that considered appropriate for board members without this background.

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of the Local Government Act 1972.

AGENDA ITEM 14

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AGENDA ITEM 15

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