



PENSION FUND

ANNUAL REPORT

2017/18

Contents

	Page
1. Trustee's Report	2
1.1 LGPS Regulations	2
1.2. Governance	3
1.3. Management Structure	4
1.4 Risk Management	5
1.5 Financial Performance	5
1.6 Actuarial Funding Level	8
2. Investment Policy	8
3. Management and Performance of the Fund	11
3.1 Financial Performance	11
3.2 Market value of the Fund	12
3.3 Scheme Administration	12
3.4 Membership of the Fund	13
4. Statutory Statements	15
5. Actuary's Statement	16
6. Auditor's Report	18
7. Pension Fund Statement of Accounts	xx
 Appendices	
A Governance Compliance Statement	x
B Funding Strategy Statement	x
C Investment Strategy Statement	x
D Communication Policy Statement	x
E Pension Administration Statement	x

1. Trustee's Report

1.1 Local Government Pension Scheme Regulations

The London Borough of Barnet Pension Fund is part of the national Local Government Pension Scheme (LGPS). It is a contributory defined benefit pension scheme established under statute, which provides for the payment of pension benefits to employees and former employees of the London Borough of Barnet and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions that employees and employers pay into the Fund to meet the cost of paying pensions at a later date. The Fund builds up assets at the same time as paying out pensions. Employer contributions are set by the Fund's actuary at the actuarial valuation which is done every three years. The last actuarial valuation was completed as at 31 March 2016. The Actuary determines the level of contributions payable by employers that together with other income are expected to enable the fund to acquire sufficient assets to pay benefits as they fall due for payment.

As a statutory pension scheme, it is secure because its benefits are set by law and paid out of a fund which is managed professionally. Should there be insufficient assets, ultimately the Council will be responsible for making up the shortfall. Membership of the pension fund is available to employees of the local authority and other eligible organisations. However, as the benefits are guaranteed by law, and the employees' contribution is fixed, the employers' contribution rates will vary as the Actuary calculates the required level of assets and expectations of future investment income and this can have an adverse effect on the overall employers' budgets.

In the public sector, the individual legal provisions covering many pension schemes were brought together under one Act of Parliament (The Superannuation Act 1972). The regulations appoint major authorities, such as the London Borough of Barnet, to the role of "administering authorities" to manage the scheme at a local level.

The LGPS as introduced in 1972 remained unchanged until 2008 when changes were made to the scheme. More significant changes were introduced in a new look LGPS effective from 1 April 2014. One of the main changes is that a scheme member's pension entitlement for service after 1 April 2014 is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Benefits built up in the scheme before 1 April 2014 are protected and will continue to be based on the scheme member's final year's pay. The revised benefits payable from the Fund are set out in the Local Government Pension Scheme regulations and in summary are:

- A pension based on career average earnings (revalued in line with the Consumer Prices Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for a member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

The Fund is governed by the Public Services Pensions Act 2013 and the LGPS Regulations 2013 (as amended), the LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016.

The Pension Fund is a shareholder in the London Local Government Pension Scheme Collective Investment Vehicle (CIV). The Pension Fund Committee approved the investment of £150,000 as regulatory capital in 2015/16. The Fund has assets of £552 million either in CIV managed pools or in mandates overseen by the CIV. This has delivered considerable savings in fees. It is also consistent with the Government's LGPS pooling arrangements which require local government pension scheme administering authorities to set out their proposals to invest their assets through one of the approved LGPS investment pools.

The content and detail in the pension fund annual report is prescribed by the LGPS Regulations 2013. In publishing this report, the Council as administering authority, sets out the standard of governance and supervision of the fund. It also brings together a number of separate reporting strands into one document to show how the Fund is managed and how it is performing.

To help people save more for their retirement, the Government requires employers to enrol their workers into a workplace pension scheme. This legislation is separate from the Local Government Pension Scheme (LGPS) Regulations and applies to those employees that are not members of the Local Government Pension Scheme, including those who have previously opted out. The automatic enrolment of the Council's workforce into the LGPS came into effect from 1 June 2013. The dates for other participating employers varied. The impact has been a growth in scheme membership.

The Local Pension Board, enacted through the Public Services Pensions Act 2013, has been established as a Council committee to oversee pension fund governance and administration.

1.2 Governance Arrangements

The London Borough of Barnet is the administering authority and scheme manager for the Pension Fund. The Council has delegated responsibility for pension matters to the Pension Fund Committee.

Pension Fund Committee

The Pension Fund Committee is responsible for discharging the Council's leadership and strategic management responsibilities regarding the Pension Fund. The Pension Fund Committee is responsible for all aspects of the governance and administration of the Pension Fund including:

- Complying with regulations and best practice
- Establishing sound systems of control over all the Fund's activities
- Approving and updating the statutory statements that form the appendices to these accounts
- Developing funding and investment policies that will safeguard the interest of scheme members and employers, and
- Appointing and monitoring service providers.

The Pension Fund Committee (the Committee) considers advice from the Section 151 officer, other Council officers, the Scheme Actuary, investment advisor, administrator and fund managers. Membership of the Committee is shown below. The Committee meet four times during the year. Three members of the Committee each were absent from one meeting during the year.

The Governance Compliance statement (appendix A) details the Committee's governance arrangements.

Local Pension Board

At the start of 2015/16 the Council established a local pension board (the Board) in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to assist the Council to:

- Secure compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS,
- secure compliance with the requirements imposed by the Pensions Regulator,
- such other matters as the LGPS regulations may specify, and
- ensure the effective and efficient governance and administration of the Pension Fund.

The Board activities during the year included monitoring the quality of the pension administration services, the Fund's compliance with legislation and regulations and reviewing the management of risk.

Conflicts of interest

Members of both the Pension Fund Committee and Local Pension Board follow the Code of Conduct for elected members, which sets out how any conflict of interest should be addressed. Declarations of interest are made at each meeting.

1.3 Management Structure

Administrating Authority

London Borough of Barnet

Pension Fund Committee Members 2017/18

Chairman: Councillor Mark Shooter

Vice-Chairman Councillor John Marshall

Members: Councillor Andreas Ioannidis
Councillor Arjun Mittra
Councillor Rohit Grover
Councillor Jim Tierney
Councillor Peter Zinkin

Substitutes: Councillors : Dean Cohen; Anthony Finn; Ross Houston;
Adam Langleben; Pauline Coakley Webb; Stephen Sowerby

Observers: John Burgess Unison
James Kennedy Middlesex University

Local Pension Board

Employer Representatives: Professor Geoffrey Alderman (Chairman)
Councillor Thomas Smith

Employee Representatives: Hem Savla (Vice-Chairman)
Salar Rida
David Woodcock

Independent: Stephen Ross

Substitute Member: Alice Leech

Officers

LB Barnet

Anisa Darr Director of Resources and Statutory Section 151 Officer (to December 2017)
Kevin Bartle Interim Director of Finance and S151 Officer (from December 2017)
Paul Clarke Head of Finance

Capita CSG (Customer and Support Group)

Gillian Clelland Assistant Director of Finance
George Bruce Head of Treasury

Actuary

Hymans Robertson LLP

Investment Advisors

Hymans Robertson LLP

Auditor
BDO LLP

Legal Advisors
HB Law

Performance Monitoring
Hymans Robertson
PIRC

Custodians
JP Morgan

Pensions Administration Manager

Colin Barker (to January 2018) Interim Service Delivery Manager (Pensions), Capita
Scott Harriot (from February 2018) Employee Benefits, PO Box 215, Mowden Hall, Darlington, DL3
9GT

1.4 Risk Management

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Local Pension Board's terms of reference included oversight of risk management processes.

In order to manage risks, a Pension Fund risk register is maintained and reviewed by both the Committee and Board.

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay the promised benefits to members leading to contribution increases for employers. The investment and funding policies have been developed in conjunction with the actuary and investment advisor to provide a reasonable probability of achieving full funding and offering stability of contributions to employers.

1.5 Financial Performance

The Fund asset value increased by £45.813 million in the year to £1,097.970 million. There was an inflow of £6.902 million from dealings with members, expenses of £5.446 million were incurred and a return from investments of £44.358 million.

The table below summarises the change in the fund value over the last four years:

	2014-15	2015-16	2016-17	2017-18
	£'000	£'000	£'000	£'000
Dealing with members				
Contributions	-56,572	-54,238	-59,564	-61,349
Pensions	<u>49,730</u>	<u>56,002</u>	<u>56,644</u>	<u>54,447</u>
Net (additions) from dealings with members	<u>-6,842</u>	<u>1,764</u>	<u>-2,920</u>	<u>-6,902</u>
Management expenses	4,514	5,095	4,904	5,446
Investment income	-29	-12	-1,620	-2,405
Change in market value	-90,520	5,725	-136,188	-41,953
Net (increase) in the Fund	<u>-92,877</u>	<u>12,572</u>	<u>-135,824</u>	<u>-45,814</u>

Contributions have increased due to a rise in active membership, partly due to auto-enrolment, and revised employers' contribution rates following the 2016 triennial valuation. Pensions are impacted by inflation and increases in the numbers of pensioners. Transfers in and out are variable year to year and declined by £1.6 million in 2017-18.

Most investment income is reinvested and included within the change in market value of investments. Investment markets have risen strongly over the last four years as reflected in the table above.

The table below summarises the change in net assets of the fund available to pay benefits over the last four years.

	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000
Pooled funds	910,564	900,163	1,014,952	1,074,025
Cash	1,160	2,609	23,920	3,505
Investment in London CIV	0	150	150	150
Current Assets	14,137	15,935	14,524	22,587
Current Liabilities	-3,202	-2,524	-1,389	-2,297
Total Net Assets	922,659	916,333	1,052,157	1,097,970

The asset value has increased reflecting gains in investments. All investments are held in pooled funds. Further details of investments are given in section 2.

The table below details the scheme expenses in the last two years:

	2016-17 £'000		2017-18 £'000	
Administration		479		42
Investment Management				
Management Fees	2,772		3,425	
Performance related Fees	0		387	
Custody fees	13		15	
Transaction Costs	0		646	
		2,785		4,473
Oversight & Governance				
Actuarial	138		79	
Investment Advice	146		105	
Audit	28		28	
Council officers recharge	1,321		714	
other	7		6	
		1,640		932
Total		4,904		5,447

The prior year allocations have been altered to be consistent with the current year definitions. In particular, Council recharges in respect of staff not involved directly in dealing with member (£1.303 million) have been shown as oversight & governance rather than administration. In addition, investment advisor's fees (£146,000) have been moved from investment management to governance.

For the first time, costs incurred via pooled vehicles have been identified and included within costs. These represent costs of £3.049 million in 2017-18. Historically most investment fees were billed directly. This is no longer true, with only Legal & General and Schroders issuing fee invoices. The other funds all charge their costs directly to the value of investments. The Newton mandate switched to internal fee recovery when the mandate was moved to the London CIV (2016-17 costs £0.733 million). Directly charged fees also reduced by £463,000 following a reduction of assets managed by Schroders.

The Pension Fund Committee and officers monitor costs and challenge fund managers. The London CIV has successfully negotiated lower fees for Legal and General and Newton. Post year-end Schroders have implemented a fee reduction.

Actuarial and investment advisory fees were lower in 2017-18. The prior year was impacted by the cost of the 2016 triennial valuation and of selecting new funds.

1.6 Actuarial Funding Level

The actuary to the Fund for the year was Hymans Robertson. The actuary's role is to place a value on the Fund's accumulated pension promises. A formal valuation of the Fund is required legally every three years; the most recent valuation of the Fund took place as at 31 March 2016.

The funding level at 31 March 2016 was 73%. This corresponded to a shortfall on the funding target of £339 million. The primary contribution rate for 2017/18 was 17.9% of pensionable pay plus a secondary contribution of £13.374 million. For 2018/19 the secondary contribution increases to £14.684 million. This is the average required employer contribution to achieve 66% probability of returning to a fully funded position over 20 years. The next triennial actuarial valuation will be as at 31st March 2019 with a revised contribution schedule effective from 1st April 2020.

2. Investment Policy

The Council, through the Pension Fund Committee, is responsible for the investment of the Fund's assets and agreeing the investment policy within the regulations covering local authority pension schemes. The responsibility for the day to day management of the Fund's assets is exercised via the selection of self-managed pooled funds who are regulated by the Financial Conduct Authority. The role of appointing and monitoring of investment funds is shared with the London CIV.

The pooled funds into which the Committee invests appoint investment managers to manage the assets of the fund by buying and selling investments in order to achieve their specific objectives as set out in their governing documentation. In choosing investments, the investment managers must have regard to the overall suitability of investments in accordance with the fund's aims and objectives. This section provides a summary of the current arrangements for investment of the London Borough of Barnet's Pension Fund.

Investment Report

As at 31 March 2017, the value of the Fund's investment assets was £1,077.7 million. This represents an increase of £38.7 million compared with the previous year reflecting the returns generated by investment managers and the modest improvements in equity markets in the last 12 months.

During the year the following changes were made to the investment strategy:

Global listed equities	+4%
Illiquid alternatives	+6%
Diversified Growth Funds	-2%
UK Corporate Bonds	-2%
Multi asset credit	-6%

The Pension Fund Committee continues to work with Hymans Robertson to improve the expected outcome from the investment strategy and the revised allocations are based on modelling undertaken by Hymans that considers the range of funding levels for each possible strategy and seeks to balance maximising the probability of achieving full funding with avoiding very poor outcomes.

The fund's investment strategy and investments as at 31st March 2018 are given in the table below.

During the year new Commitments were made to the following three funds:

Insight / IIFIG Secured Finance Fund £40 million

Partners Multi Asset Credit 2017 £30 million

M&G Lion Credit Opportunities Fund £30 million

Fund investments are often drawn in stages as investment opportunities become available and during the year £136.8 million was invested. In addition to fully funding the Insight and M&G funds mentioned above, drawdown were made by Partners MAC 2017 (£10.5m), IFM Infrastructure (£45.4m) and Clareant European Direct Lending (£10.9m).

Funding for these mandates was from disposing of the holdings in Schroders Strategic Bond Fund (£94.5m), partial realisations of the two diversified growth funds (£15.8m), a reduction in cash balances (£20.3m) and distributions from Partners MAC 2015 (£6.2m).

Benchmark

The prime performance objective of the Fund is to achieve the return required to fund the Scheme's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation. The performance targets for each investment are detailed below.

Performance against this benchmark is measured, from an investment perspective, on a quarterly basis by Hymans Robertson LLP, the Investment Advisor to the Fund.

The Fund also subscribes to an independent investment performance measurement service in order to assess the rate of return achieved and the relative performance against other local authority pension funds that operate under the same regulations. This service is provided by PIRC.

Investment Allocation

Asset class / Investment Manager	Benchmark	Benchmark Proportion	Target
Equity		36%	
LGIM	FTSE All World Index	18%	Track within +/- 0.5% p.a. the index for 2 years in every 3
LGIM	FTSE RAFI All World Equity GBP Hedged Index	18%	
Divsified Growth Fund		22%	
Schroder DGF	CPI plus 5% p.a.	11%	To outperform the benchmark over a market cycle (typically 5 years)
Newton Real Return	1 month LIBOR plus 4% p.a.	11%	to outperform the benchmark over a rolling 5 years
Corporate Bonds		12%	
Schroders All Maturities Corporate Bond Fund	Merrill Lynch Sterling Non-Gilts All Stocks Index	12%	To outperform the benchmark by 0.75% p.a. (gross of fees) over a rolling 3 years
Multi-Asset Credit		11%	
Alcentra - Clareant Global Multi Credit	3 month LIBOR plus 4% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Baring Global High Yield Credit Strategies	3 month LIBOR plus 5% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Insight - IIFIG Secured Finance	3 month LIBOR plus 4% p.a.	4%	To outperform the benchmark over a market cycle (typically 5 years)
Illiquid Alternatives		19%	
Partners Multi Asset Credit 2015	3 month LIBOR plus 4% p.a.	4%	Over the life of the fund
Partners Multi Asset Credit 2017	3 month LIBOR plus 4% p.a.	3%	Over the life of the fund
Alcentra - Clareant Direct European Lending	8-10% per annum	4%	Over the life of the fund
M&G Lion Credit Opportunities Fund	3 month Libor plus 2%	3%	Over the life of the fund
IFM Global Infrastructure	8-10% per annum	5%	Over the life of the fund
		100%	

Investment Ranges

Prior to the adoption of the first investment strategy statement (ISS) in March 2017 the Pension Fund had to abide by the maximum allocations to asset classes specified in the Local Government Pensions (Management and Investment of Funds) Regulations 2009. On adoption of the ISS these limitations were replaced by those set in the ISS, which are shown below together with the actual and benchmark proportions as at 31 March 2018:

Asset class	Actual Proportion	Benchmark Proportion	Maximum Allocation
Global Equity	39.6%	40%	44%
Diversified growth funds	24.9%	20%	28%
Liquid Multi-asset credit	10.5%	11%	14%
Corporate bonds	10.8%	10%	13%
Illiquid alternatives	13.9%	19%	23%
Cash	0.3%	0%	n/a
	<u>100.0%</u>	<u>100%</u>	

There were no breaches of these limits during the year.

Independent Advisor

The Pension Fund Committee and Council Officers receive investment advice from the independent advisor to the fund, Hymans Robertson LLP. The role of the advisor is to attend the quarterly and annual meetings of the Committee and to provide advice on the following:

1. Investment strategy
2. Strategic asset allocation
3. Development of investment policy and practices
4. Corporate governance issues, including socially responsible investment and the Council's Investment Strategy Statement
5. Pension fund related legislation
6. Investment management performance monitoring
7. Assistance in the selection of investment managers, custodians and actuaries
8. Review of and advice on alternative benchmarks and setting of performance targets
9. Other ad-hoc advice.

Custodian

When assets are held in segregated portfolios it is necessary to appoint a custodian whose role is to hold title on behalf of the scheme, settle transactions, collect income, vote etc. The Barnet Pension Fund no longer has any segregated mandates, investing only in pooled funds, and as a consequence does not require the services of custodians. JP Morgan is retained to provide limited custody services for the

Schroder's managed funds. The contract with Bank of New York Mellon was terminated when the Newton assets were transferred to the London CIV.

Each pooled fund will have their own custodian who carry out the duties outlined above and may also act as fund administrator, maintaining the shareholders records for each fund. These custodians are appointed and monitored by either the fund sponsor or fund directors depending on the legal structure.

Voting

When investing through funds, voting rights rest with the fund or its appointed fund managers. The committee and officers discuss voting with the fund sponsors but are not able to direct how votes are cast.

3. Management and Financial Performance of the Fund for the Year 2017/18

3.1 Fund Performance

Over the 12 months to 31 March 2018, the Fund returned 3.3% (net of fees) versus a combined benchmark return of 4.7%.

The table below details the Fund's performance for the 12 months, 3 years and 5 years ending 31 March 2018.

	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Total Fund	3.3%	5.6%	6.3%
Combined benchmark	4.7%	7.4%	x.x%
Relative	-1.3%	-1.7%	x.x%

Note: Total Fund performance excludes cash holding.

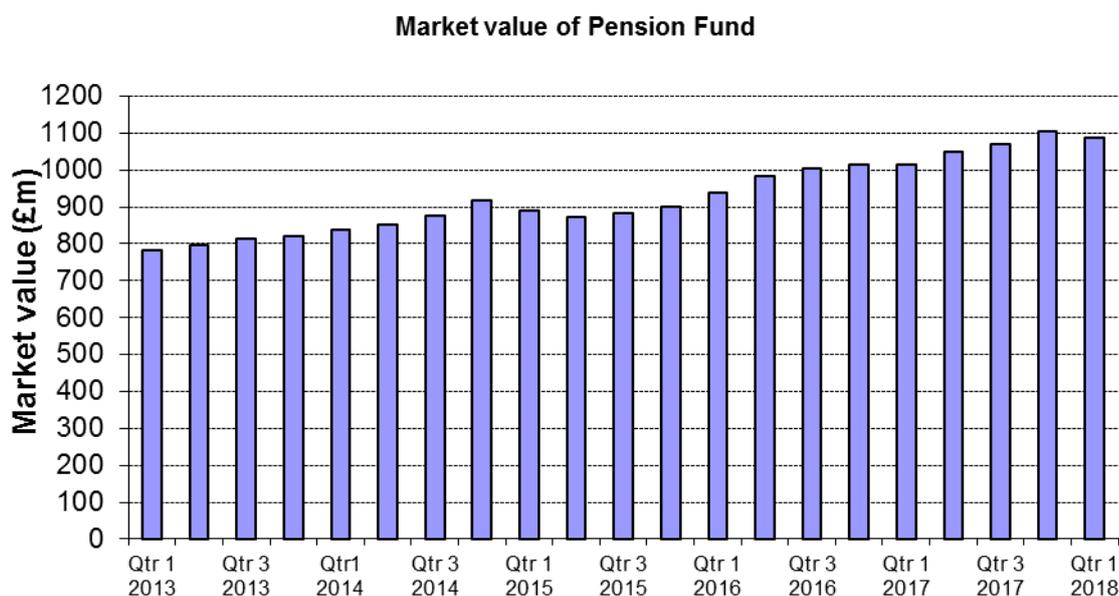
It is important to note that the Scheme's diversified growth and multi-credit mandates are all benchmarked against 'cash plus' performance objectives. These types of performance objectives, e.g. LIBOR + 4% p.a. are broadly in line with a long-term expected return from equities and so are less helpful for measuring short and medium-term performance and in particular the relative performance of the Fund over a 12-month period.

Performance Summary (Net of fees)

	LGIM Global Equity	Alcentra Multi-Credit	Newton Real Return Fund	Schroder Life Diversified Growth Fund	Barings Multi-Credit	Insight Secured Finance Fund	M&G ABS Alternative Credit Fund	Schroder All Maturities Corporate Bond Fund	Schroder ISF Strategic Bond Fund	Total Fund
3 Months (%)	Absolute	-3.9	0.9	-2.3	-0.9	1.2	0.9	-1.5	1.9	-2.1
	Benchmark	-3.9	1.1	1.1	1.4	1.4	0.6	-1.2	0.2	-1.2
Relative	0.0	-0.2	-3.4	-2.1	-0.9	0.0	0.4	-0.3	1.7	-0.9
12 Months (%)	Absolute	5.0	5.0	-1.3	5.2	4.5	5.0	2.2	2.5	3.6
	Benchmark	5.0	4.5	4.4	7.6	5.4	2.2	1.3	2.0	4.7
Relative	0.1	0.4	-3.1	-2.4	-0.9	N/A	2.8	0.9	0.5	-1.0
3 Years (% p.a.)	Absolute	9.2	N/A	1.1	3.6	N/A	N/A	4.7	N/A	5.9
	Benchmark	8.5	N/A	4.5	7.6	N/A	N/A	3.6	N/A	7.4
Relative	0.6	N/A	-3.4	-4.0	N/A	N/A	1.0	N/A	N/A	-1.4
Since Inception (% p.a.)	Absolute	10.0	8.1	3.2	5.1	9.0	N/A	6.9	3.0	6.6
	Benchmark	9.9	4.5	4.5	7.7	5.5	N/A	6.5	2.3	7.6
Relative	0.0	3.4	-1.3	-2.4	3.3	1.4	N/A	0.4	0.7	-0.9

3.2 Market Value of the Fund

The following chart shows the movement in the market value of the investments in the Fund from 31 March 2013 to 31 March 2018 (five years).



3.3 Scheme Administration

Administration of the Pension Scheme is provided by Capita Employee Benefits. The performance table below shows the range of work undertaken.

[Table to be updated]

Performance Indicator <i>(from point at which all required information has been received)</i>	Local Government Pension Committee Target	Authority Target	Achieved (%)
Letter detailing transfer <i>in</i> quote	10 days	10 days	100.0%
Letter detailing transfer <i>out</i> quote	10 days	10 days	75.0%
Process and pay refund	5 days	5 days	91.7%
Letter notifying estimate of retirement benefits	10 days	10 days	98.2%
Letter notifying actual retirement benefits	5 days	5 days	77.0%
Process and pay lump sum retirement grant	5 days	5 days	100.0%
Initial letter acknowledging death of active/deferred/pensioner member	5 days	5 days	92.3%
Letter notifying amount of dependant's benefits	5 days	5 days	92.3%
Calculate and notify deferred benefits	10 days	10 days	91.2%

3.4 Membership of the Pension Fund 2017/18

	31 March 2018	31 March 2017 (restated)
Number of employers with active members	64	65
Number of employees in scheme		
London Borough of Barnet	5,357	5,110
Other employers	3,736	3,719
Total	9,093	8,829
Number of pensioners		
London Borough of Barnet	5,130	5,113
Other employers	2,674	2,607
Total	7,804	7,720
Deferred pensioners		
London Borough of Barnet	6,616	6,441
Other employers	3,622	3,497
Total	10,238	9,938
Total number of members in pension scheme	27,135	26,487

NB: Membership as at 31 March 2017 has been restated to incorporate late notifications of change of status.

Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector:

[Tables to be checked]

Absolutely Catering 1- Queenswell	Graysons Restaurants	NSL Ltd
Absolutely Catering 2- St James	Green Sky	Oaklodge
BEAT (Barnet Education Arts Trust)	Greenwich Leisure	OCS Group UK Ltd
Birkins - St James School	Hartwig (1)	Personnel & Care Bank
Blue 9 Security Ltd	Hestia	Servest
Capita CSG	Housing 21 (2)	Turners Cleaning
Capita RE	ISS	Viridian Housing
Fremantle Trust (2)	KGB Cleaning	Ridge Crest Cleaning
Go Plant Hire	London Care plc	Hartwig
Goldsborough Homecare	Mears Group	Allied Healthcare

Scheduled Bodies – local authorities and similar bodies whose staff are automatically entitled to be members of the Fund:

Alma Primary School	ETZ Chaim Jewish Primary Academy	Monkfrith School
Archer Academy	Finchley Catholic School	Osidge Primary School
Ashmole Academy	Friern Barnet School	Parkfield Primary School
Barnet & Southgate College	Grasvenor Avenue Infant	Queen Elizabeth's Boys' School
Barnet Homes	Hasmonean High School	Queen Elizabeth's Girls' School
Barnet Schools (Capita)	Hendon School	Rimon Jewish Primary School
Barnfield Primary School	Henrietta Barnett School Academy	Rosh Pinah Primary School
Bishop Douglass School	Hyde School	St Andrew the Apostle School
Broadfields Academy	Independent Jewish Day School	St James' School
Cambridge Education	LB Barnet	St Mary's & St John's Primary School
Christ Church Primary School	London Academy	St Michael's Grammar School
Christ College	Mapledown School	Totteridge Academy
Claremont Primary School	Martin Primary School	Underhill Infant School
Compton Academy	Mathilda Marks Kennedy School	Wessex Gardens Primary School
Copthall Academy	Menorah Foundation School	Whitefield Trust School
Danegrove School	Menorah High School	Woodhouse College Academy
Deansbrook Junior Academy	Middlesex University	Wren Academy
Dollis Junior School	Mill Hill County High School	Your Choice Barnet
East Barnet Academy		

4. Statutory Statements

The Pension Fund Committee has approved the statutory statements required by scheme regulations. Copies are included with the Annual Report and Accounts:

Governance Compliance Statement	appendix A
Funding Strategy Statement	appendix B
Investment Strategy Statement	appendix C
Communications Policy	appendix D
Pension Administration Strategy	appendix E

Comments

We welcome and value your comments on the standards of service we provide. If you have any comments please contact us.

barnetpensions@capita.co.uk

Address: London Borough of Barnet Pension Fund, PO Box 319, Darlington, DL98 1AJ

Telephone: 01325 746010/11/12/13/14

On behalf of the Pension Fund Committee

Councillor Mark Shooter

Chairman of the Pension Fund Committee

London Borough of Barnet Pension Fund

London Borough of Barnet Pension Fund (“the Fund”) Actuarial Statement for 2017/18

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £916 million, were sufficient to meet 73% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £339 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.2%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.3years
Future Pensioners*	23.9 years	26.5 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.



Peter Summers FFA

For and on behalf of Hymans Robertson LLP

4 May 2018

Hymans Robertson LLP

20 Waterloo Street, Glasgow, G2 6DB

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

Opinion on the financial statements of the pension fund

We have audited the pension fund financial statements of the London Borough of Barnet Pension Fund for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the fund account, the net assets statement and the related notes. The framework that has been applied in the preparation of the pension fund financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

This report is made solely to the members of the Council 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 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. 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.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes 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 they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of London Borough of Barnet 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 prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

Opinion on other matters

In our opinion the other information published with the audited pension fund financial statements is consistent with the pension fund financial statements.

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

xx/xx/2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)