BARNET
LONDON BOROUGH

Appendix B – Pension Fund Annual Report 2011/12

London Borough of Barnet
Pension Fund

Annual Report
for the year ended
31 March 2012

The London Borough of Barnet Pension Fund

Annual Report

For the year ended 31 March 2012

Audited

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1. Trustee's Report

1.1 History of the Local Government Pension Scheme

In the public sector, the individual legal provisions covering many pension schemes were brought together under one Act of Parliament (The Superannuation Act 1972). This Act provides the framework that covers the Local 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.

A major re-drafting exercise took place in 1997, which effectively produced two separate sets of regulations, one dealing with the administration aspects and the other with the investment issues covering pension funds. The regulations that govern how the scheme is now run are covered by The Local Government Pension Scheme Regulations 1997.

The regulations governing the Fund are The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

The Local Government Pension Scheme (LGPS) is a statutory pension scheme. As such, it is secure because its benefits are set by law and paid out of a fund which is managed professionally. Under the LGPS we have to run a pension fund for 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 rate is determined by the funding level of the pension fund. If the fund has a deficit then the employer is required to make larger contributions and this can have adverse effects on the overall Council budget.

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. Based on the assumptions of the actuary, there should be enough assets in the Fund to pay, on the day the employee retires, all potential future costs.

Since the LGPS was introduced in 1972, pensions have changed considerably. People now live longer, and this has put increasing strain on pension funds for the future. Public-Sector pension funds face similar demands to the private sector. To respond to these changes, the Government introduced a new look LGPS that took effect from 1st April 2008.

The main changes to the scheme were an improvement in the accrual rate (for future service) from 1/80th of salary for pension and 3/80th of lump sum to 1/60th for pension and a new tiered contribution rate for employees. The normal retirement age in the LGPS is 65 for everyone, but there are protections for staff who would have qualified for unreduced benefits at age 60 if they will be 60 by 31st March 2020. There were also improvements to death grant lump sums and the introduction of survivor's pensions for nominated partners. Ill-health retirement will also change with 3 different benefits tiers depending on the likelihood of the member gaining meaningful employment in the future.

In 2010, the Government commissioned a Public Sector Pensions Review chaired by Lord Hutton of Furness who was asked to produce an interim report by October 2010 on how to make short-term savings to public sector pension schemes and a final report before the March 2011 budget. The Government accepted Lord Hutton's interim report recommendations to increase employee contributions and proposed saving £2.8 billion per year by 2014-15 by increasing employee contributions across the major public sector pension schemes with an undertaking to afford some protection to the low paid. Lord Hutton's final report was published in March 2011.

The Government accepted the long term recommendations; to move from a final salary scheme to a career average pension scheme for future service, protecting accrued rights on the final salary scheme and ensuring normal retirement age is in line with the state pension age. Individual consultations have taken place on the design of each public sector scheme with a view to implement reforms by September 2014.

1.2 Administration of the London Borough of Barnet Pension Fund

The Council is the administering authority for the pension fund. 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:

- Setting the investment policy for the fund
- Appointing Investment Managers, advisors and custodians
- Reviewing the performance of the Investment Managers and the Investments held in the fund, and
- Approving the statement of investment principles, funding strategy statement, governance compliance statement, communication policy statement and the pension administration statement. These documents are reviewed at least triennially or more frequently if required.

1.3 Management Structure

Administrating Authority

London Borough of Barnet

Pension Fund Committee Members

Chairman:	Anthony Finn BSc(Econ), FCA
Vice-Chairman	Mark Shooter
Members:	Jack Cohen
	Geoffrey Johnson
	Susette Palmer MA
	Jim Tierney
Substitutes:	Geoff Cooke
	Andrew Harper
	Monroe Palmer OBE, BA, FCA
	Ansuya Sodha
	Rowan Turner

Officers
Andrew Travers, Deputy Chief Executive
John Hooton, Assistant Director of Strategic Finance
Iain Millar, Head of Treasury

Observers
John Burgess, Unison
David Woodcock, Middlesex University

Actuary

Barnett Waddingham

Investment Advisors
JLT Benefit Solutions (formally HSBC Actuaries and Consultants)

Auditor
Grant Thornton UK LLP

Performance Monitoring
JLT Benefit Solutions (formally HSBC Actuaries and Consultants)
WM Company

Custodians
JP Morgan
The Bank of New York

Pensions Administration Manager
Hansha Patel

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 delegated to investment managers who are regulated by the Financial Services Authority.

The investment managers manage the assets of the fund by buying and selling investments in order to achieve their specific objectives agreed with the Pension Fund Committee. In choosing investments, the investment managers must have regard to the overall suitability of investments to the fund according to principles laid out in the terms and conditions of their contract. This section provides a summary of the current arrangements for investment of Barnet's pension fund.

The Fund

On 4 February 2010, the Pension Fund Committee agreed a new investment strategy of 70% diversified growth portfolio and 30% bonds using the two incumbent managers Schroders Investment Management and Newton Investment Management. The strategy aims to reduce the level of risk whilst maintaining the same level of return. The new strategy was fully implemented in December 2010.

2. Investment Policy (continued)

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 manager are detailed below. Overall, the returns achieved by the assets are expected to exceed the return required to fund the Fund's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation. Performance against this benchmark is measured, from an investment perspective, on a quarterly basis by the Investment Adviser to the Fund.

Manager	Fund	Monitoring Benchmark	Target
Newton Investment Management Limited (Newton)	Real Return	1 month LIBOR plus 4% p.a.	To achieve significant real rate of return in sterling terms predominantly from a portfolio of UK and international securities and to outperform the benchmark over rolling 5 years
Newton	Corporate Bond	Merrill Lynch Non Gilt Over 10 years Investment Grade Index	To outperform the benchmark by 1% p.a. over rolling 5 years
Schroder Investment Management Limited (Schroder)	Diversified Growth	Retail Price Index plus 5% p.a.	To outperform the benchmark over a market cycle (typically 5 years)
Schroder	All Maturities Corporate Bond	Merrill Lynch Sterling Non-gilts All Stocks Index	To outperform the benchmark by 0.75% p.a. (gross of fees) over rolling 3 years
Legal and General Investment Management (L&G)	World (ex UK) Equity Index Fund	FTSE AW World (ex UK) Index	Track within +/- 0.5% p.a. the index for 2 years in every 3
Legal and General	Active	iBoxx	Outperform by 0.75% p.a.

	Corporate Bond – All Stocks	Sterling Non-Gilts All Stocks Index	(before fees) over rolling 3 years
Property Unit Trusts	Various	UK IPD Property Index	Outperform the Index

Property

The fund does not own property directly but invested in managed property unit funds. The pension fund's unit trust portfolio was managed in-house by the Council's officers with investment advice in the selection of these holdings provided by the fund's independent advisor. The property unit trust portfolio represented 3.5% of the total market value of the fund. During 2011-12 the property unit trusts were sold and the proceeds re-invested in the diversified growth and bond funds held with Schroders and Newton.

Investment Ranges

There are statutory restrictions and parameters for investments as per the Local Government Pensions (Management and Investment of Funds) 1998 and subsequent amendments. The restrictions are detailed in part 11 (Schedule 1) of the LGPS (Management and Investment of Funds) Regulations 2009. Regulation 14(2) imposes limits on the proportion of fund money which may be invested in a particular type of investment. Regulation 14(3) states that limits may be increased, to the up to the percentages specified in Column 2 of the table in Schedule 1 provided the requirements under regulation 15 have been satisfied.
The Authority, having satisfied the requirement of regulation 15, has increased the limits to the maximum allowed under Regulations 14(3) for investments listed at 9, 10, 11, and 12. The investment limits adopted by the London Borough of Barnet Pension Fund are detailed below.

Investment	Limits Adopted
1. Any single sub-underwriting contract	1%
2. All contributions to any single partnership	2%
3. All contributions to partnerships	5%
4. The sum of all loans and any deposits with – A) Any local authority, or B) Any body with power to issue a precept or requisition to a local authority can be required to contribute, or to the expenses of which a local authority can be required to contribute, which is an exempt person (within the meaning of the 2000 Act) in respect of accepting deposits as a result of an order made under section 38(1) of that Act	10%

5. All investments in unlisted securities of companies	10%
6. Any single holding (but not if the investment is made by an investment manager, or the single holding is in unit or other shares of the investments subject to the trusts of any one unit trust scheme)	10%
7. All deposits with any single bank, institution or person (other than the National Savings Bank)	10%
8. All sub-underwriting contracts	15%
9. All investments in units or shares of the investments subject to the trusts of unit trust scheme managed by any one body (but see paragraph 3 below)	35%
10. All investment in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body.	35%
11. All investments in unit or other shares of investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes constituted by those companies are managed by any one body (but see paragraph 3 below)	35%
12. Any single insurance contract	35%
13. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%

Independent Advisor

The Director of Finance and Council Officers received investment advice from the independent advisor to the fund. 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. The property unit trust portfolio
5. Corporate governance issues, including socially responsible investment and the Council's statement of investment principals
6. Pension fund related legislation
7. Investment management performance monitoring
8. Assistance in the selection of Investment Managers, custodians and actuaries
9. Review and advise on alternative benchmarks and setting of performance targets
10. Other ad-hoc advice.

Actuary

The actuary to the fund is Barnett Waddingham; 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 the 31st of March 2010. The next valuation is due on 31 March 2013.

Custodian

Custodians are usually banks or other regulated institutions who offer not only custody of documents (safeguarding and administering of investments) but also a range of services such as income collection, tax recovery, cash management, securities settlement, foreign exchange and stock lending. JP Morgan acts as the custodian for the assets managed by Schroders Investment Managers and the Bank of New York act as an internal custodian for assets managed by Newton Investment Managers.

Voting

The fund managers are instructed to proxy vote on behalf of the fund in accordance with the fund's corporate governance and proxy voting policy. Details of this policy can be found by using the link below.
http://www.barnet.gov.uk/downloads/download/144/statement_of_investment_principles_oct_2010

3 Management and Financial Performance of the fund for the Year 2011-2012

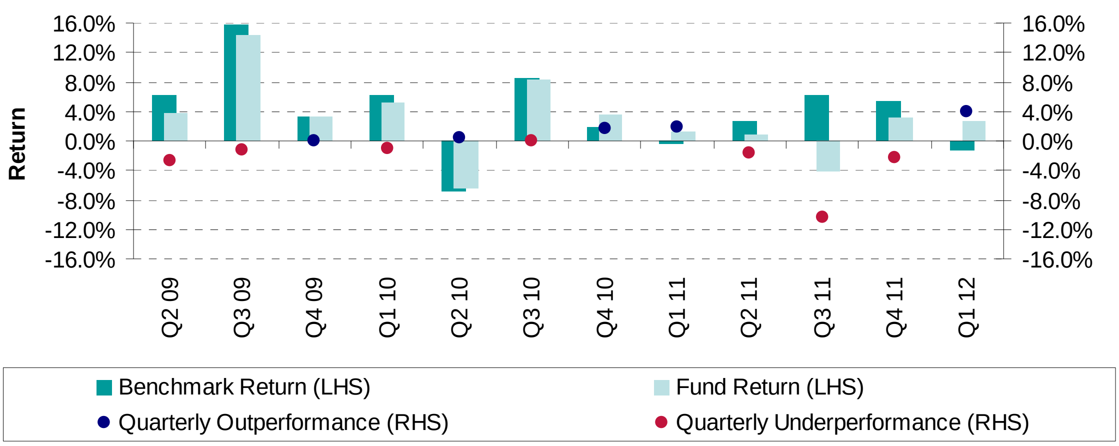
3.1 Fund Performance

Until December 2010, the fund subscribed to an independent investment performance measurement service in order to assess the rate of return achieved by the fund managers and their relative performance against other Local Authority Pension Funds which operate under the same regulations. This service is provided by WM Company Limited.

Following implementation of the new investment strategy in December 2010, the total scheme return is measured against the liability benchmark return, and includes the internal property fund. The Growth portfolio return is the combined Newton and Schroder Diversified Growth Fund (DGF) portfolios and is measured against a notional 60/40 global equity benchmark and the underlying benchmarks of each for comparison purposes. The bond portfolio is the combined Newton and Schroder corporate bond portfolios and is benchmarked against the Over 15 Year Gilts Index and Index Linked (Over 5 years) Index.

The chart below shows the fund's historical returns against the WM Universe and the new portfolio against the liability benchmark effective from 1 January 2011.

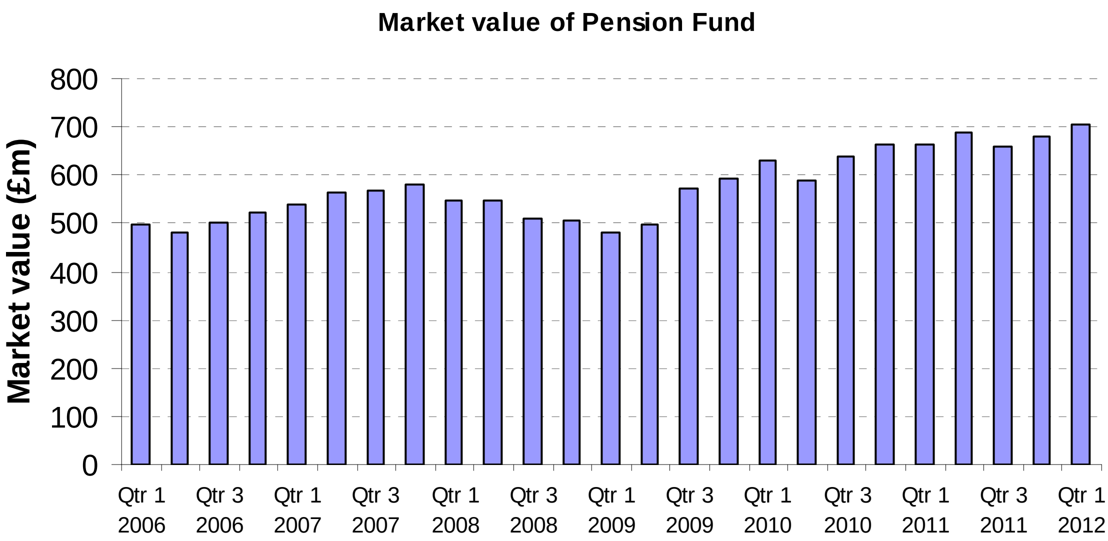
Total Fund – performance relative to benchmark



3.2 Market Value of the Fund

The following chart shows the movement in the market value of the fund from 1 January 2006 to 31 March 2012.

Market Value of Fund



3.3 Investment Report

With regard to investment performance, the Pension Fund Committee recognises that a superior and stable investment return adds towards keeping the contribution rate as low as possible.

The Council seeks to achieve its investment objectives through investing in a suitable mix of real (e.g. equities) and fixed interest assets (e.g. bonds and cash). The returns from growth assets are likely to be volatile; however, over the long term, this volatility is compensated by higher returns than those available from fixed interest assets. The profile of the Pension Fund allows the Council to take a long-term approach with respect to its investments.

The Council believes that its recently revised investment strategy will provide the most efficient diversification of assets with no loss in expected return. The Fund's revised investment strategy utilises 'diversified growth' investments that aim to provide equity-like return with reduced volatility. These growth investments are complemented by an allocation to corporate bonds, in order to provide interest rate sensitivity between the Fund's assets and liabilities. This allocation will protect the Fund from sharp movements in its liabilities due to interest rate changes.

The revised asset allocation was the result of the ongoing consultation the Fund has with its investment advisors. After a review of the available diversified growth market the Fund has retained the services of its two investment managers, Schroder Investment Management and Newton Investment Management, for the efficient implementation of the revised asset allocation. It has also retained pooled funds with Legal and General.

Over the 12 months to 31 March 2012, the total Scheme return (ex property) was 2.4% versus the liability benchmark return of 14.0%. The Fund ranks 56th percentile when compared to the WM Local Authority Universe for I year performance.

4. Governance Compliance Statement

The Governance compliance statement for the Barnet Pension Fund can be found on the Barnet website at: http://www.barnet.gov.uk/council-constitution

5. Funding Strategy Statement

The funding strategy statement for the Barnet fund can be found on the Barnet website at
http://www.barnet.gov.uk/downloads/file/147/funding_strategy_statement

6. Statement of Investment Principles

The authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, updated in June 2011, sets out the Fund's policy on a range of matters relating to the investment and management of the Pension Fund. The Statement is published on the Borough's website at
http://www.barnet.gov.uk/downloads/download/144/statement_of_investment_principles_oct_2010

7. Communication Policy Statement

An effective communications strategy is vital for the Pensions Office in its aims to provide a high quality and consistent service to its customers.

This document sets out a policy framework within which the Pensions Office will communicate with:-

- Fund members and their representatives
- Prospective Fund members and their representatives
- Fund employers

Set out in this statement are the mechanisms which are used to meet those communication needs.

It identified the format, frequency and method of distributing of distributing information and publicity.

The Pensions Office aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

- **Pensions Office** for day-to-day contact and visits between the hours of 9am and 5pm. The Pension Office operates an open door policy for visitors such that pre-booked appointments are not required.

- **Correspondence** the Fund utilises both surface mail and e-mail to receive and send correspondence.

- **Telephone** The Pensions Office operates a telephone help line for Scheme members and is widely published in Scheme literature.

- **Website** The Pensions Office has established an extensive website www.barnet.gov.uk/pensions containing Scheme details, Scheme literature etc. There are also links to other organisations relevant to Scheme members, e.g. employers, AVC providers, employers' organisations etc.

- **Member Self-Service** the Pensions Office's website also allows Scheme members to log onto their own pensions record and automatically inform the Pensions Office electronically of any changes.

- **Scheme Booklet** A Scheme booklet, including forms, is produced by the Pensions Office and is supplied to scheme members and scheme employers directly. Copies of the Scheme booklet can also be viewed and downloaded on the Pensions Office website www.barnet.gov.uk/pensions

- **Annual Benefits** An Annual Benefits Statement is sent direct to the home addresses of all members who were contributing to the Fund during the financial year being reported.

  Benefit Statements are sent direct to the home address of deferred members where a current address is known.

- **Payslips** The Pensions Office continues to issue monthly payslips to pensioners. This is utilised as a communication mechanism, since messages can be included. Pensions increase information is communicated using this medium on an annual basis.

- **Pensions Roadshows** The Pensions Office also stages ad hoc Roadshows for Fund members particularly where there are changes to the Fund organisational changes which have pension implications.

- **Existence Validation – Pensioners Living Abroad** The Pensions Office undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.

- **All Employer Meetings** Periodical meetings are arranged for employers. Specifically this has been used as a mechanism for communicating major strategic issues, significant legislation and triennial valuation matters.

Comments

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

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Fax:	**0870 889 6817**

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Website: **www.barnet.gov.uk/pensions**

On behalf of the Pension Fund Committee

Councillor Anthony Finn BSc(Econ), FCA
Chairman of the Pension Fund Committee

London Borough of Barnet Pension Fund

Actuary’s Statement as at 31 March 2012

Barnett Waddingham
Public Sector Consulting

20 August 201220/08/12

Introduction

The last full triennial valuation of the London Borough of Barnet Pension Fund was carried out as at 31 March 2010 and the results were published in our report dated March 2010.

2010 Valuation

The results of the valuation were as follows

- The London Borough of Barnet Pension Fund had a funding level of 76%, i.e. the assets amounted to 76% of the liability promises made as at that valuation date. This corresponded to a deficit of £189.6m at that time.
- The overall contribution rate was set at 23.5% of payroll assuming the funding level was to be restored over a 15 year period.
- The common contribution rate was set at 14.2% of payroll and individual employers paid additional contributions reflecting their own experience or recovery period within the fund.
- The funding level of the fund has improved since the position at the 2007 triennial valuation which resulted in a funding level of 71%.

Valuation method

The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants were valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age method.

Contribution rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due; plus
- An amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Key Financial Assumptions

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

Rate of return on investments	6.7% per annum
Rate of increases in pay	5.0% per annum
Rate of Increases to pensions in payment	3.0% per annum

Asset valuation

To be consistent with the assumptions used to value the liabilities the assets were valued at their smoothed market value spanning at the date of valuation.

Post Valuation Events – Changes in market conditions

Since March 2010 investment returns have been slightly lower than assumed at the 2010 valuation and liabilities are likely to have increased due to a reduction in the real discount rate underlying the valuation funding model. Overall, we therefore expect the funding level to have fallen since 31 March 2010.

The next actuarial valuation is due as at 31 March 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014.

Alison Hamilton FFA
Partner
20 August 201220/08/12

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF London Borough of Barnet Pension Fund

Opinion on the pension fund accounting statements

We have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of Barnet Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Barnet Pension Fund and the Funds Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than 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 2011/12.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

Paul Hughes
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Pension Fund Account

Contributions and Benefits	Note	2011/12		2010/11	
		£000	£000	£000	£000
Contributions Receivable	3	50,064		50,195	
Transfers in	4	5,294		4,249	
Other income		2		10	
		55,360		54,454	
Benefits Payable Account	5	(38,584)		(37,228)	
Payments to and on behalf of Leavers	6	(4,810)		(5,452)	
Administrative Expenses	7	(1,106)		(3,432)	
		(44,500)		(46,112)	
Net additions from dealings with members			10,860		8,342
Return on investments					
Investment income	8	1,273		8,743	
Change in market value of investments	9	17,079		39,652	
Investment management expenses	10	(1,920)		(2,945)	
Net returns on investments		16,432		45,450	
Net increase in the fund during the year			27,292		53,792
Net assets of the scheme					
At 1 April			685,193		631,401
At 31 March			**712,485**		685,193

Net Assets Statement

	Note	2011/12		2010/11	
		£000	£000	£000	£000
Investment assets	9	703,630		662,278	
Current assets	11	11,204		27,967	
Current liabilities	12	(2,349)		(5,052)	
			712,485		685,193

NOTES TO THE DRAFT PENSION FUND ACCOUNTS 2011-2012

1. Introduction

The Pension Fund is a funded, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is administered by the London Borough of Barnet. The scheme provides pensions and other benefits to former Authority employees (except teachers, who have a separate scheme) and to the following admitted and scheduled bodies:

Admitted Bodies

Birkin Services
Fremantle Trust
Go Plant Hire
Housing 21
Viridian Housing
Y-Gen
Amonet Ltd
Mears Group
NSL Ltd
RR Donnelley
Goldsborough Homecare
Friends Moat Mount
Greenwich Leisure
Open Learning Partnership
Turners Cleaning
Allied Healthcare

Admitted Bodies (employers with deferred members and pensioners but no active members)

Barnet MENCAP
Barnet Voluntary Service Council
Enterprise Cleaning
KGB

Scheduled Bodies

LB Barnet
Your Choice Barnet
Ashmole Academy
Bishop Douglas
Dollis Junior
East Barnet Academy
Finchley Catholic
Henrietta Barnet School (Academy)
Independent Jewish Day School (Academy)
Menorah Foundation
Mill Hill GM High (Academy)
Queen Elizabeth Boys (Academy)
St James RC School
St Michael's Grammar
Whitefield Trust School (Academy)
Wren Academy
Barnet Homes
Barnet & Southgate College
Christ College (Academy)
Compton Academy
ETZ Chaim Jewish Primary
Hasmonean High (Academy)
Hendon School (Academy)
London Academy
Middlesex University
Osidge School
Queen Elizabeth Girls (Academy)
St Mary's CE High
The Totteridge Academy
Woodhouse College
Wren Academy

The Fund is financed by member and employer contributions, interest, dividends and realised profits from investments. The Fund provides retirement grants, death grants, member pensions and widows' pensions. The funding policy aims to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities allowing for future increases in pay and pensions.

Connaught Partnership, previously an Admitted Body, went into administration with effect from 31/08/2010. A pension fund deficit of £1,492,000 has been calculated by the fund actuaries. The Council's legal team are currently liaising with Connaught's Administrators (KPMG) for the recovery of these monies. KPMG have confirmed the pension deficit is classed as unsecured, non-preferential debt.

Contributions made by employees are tiered, related to salary and they range from 5.5% to 7.5%. These rates are applicable to all employees including manual workers.

The number of employees contributing to the fund decreased during the year from 7,123 at 31 March 2011 to 6,794 at 31 March 2012. During the same period the number of pensioners increased from 6,326 to 6,582 and the number of deferred pensioners increased from 6,842 to 7,456. A government scheme supplies teachers' pensions; they are not provided for under these arrangements.

2. Accounting Policies

Accounting Standards

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and follow the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes supported by International Financial Reporting Standards (IFRS).

Basis of Preparation

The financial statements are prepared on an accruals basis except in the case of transfer values, which are debited or credited in the year of payment or receipt in accordance with recommended practice. Investment income is taken into account where dividends are declared but not paid at the financial year end.

The financial statements summarise the transactions of the scheme and the net assets of the fund. The financial statements do not take account of liabilities to pay pension and other benefits after the financial year end. The actuarial position of the scheme, which does take account of such obligations, is dealt with in note 15 and these financial statements should be read in conjunction with them.

Investments

Investments are shown in the Net Asset Statement at Fair Value. Fair Value has been determined as:

a) Listed securities and securities on the Unlisted Securities Market (USM) are determined by Stock Exchange current bid prices at 31 March 2012.
b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2012.
c) Transactions in foreign currencies are taken into account at the ruling rate of exchange at the time of the transaction and in the financial statements at the rates prevailing on 31 March 2012.
d) Withholding tax reclaims received for accumulation funds and all changes in value, including reinvested income and growth in the value of the underlying securities are aggregated and shown as changes in market value of the investments in the Fund Account.

Sale and Purchase of Investments

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading (the costs of acquiring investments are included in the value of the assets). The main fund managers are: Schroder Investment Management, Newton with the remaining funds (7%) held with Legal and General.

Investment Management are required to produce a return on investment within benchmarks set by the Authority. These restrictions and the fund managers analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments.

During the year all property units trusts were sold and the £23.9 million realised was re-invested equally with Schroder Investment Management and Newton.

Administration Expenses

Administration expenses are calculated as a percentage of the London Borough of Barnet's expenses plus the direct costs of the Pensions section within the Human Resources Department.

Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme. Benefits are accounted for in the period in which they fall due. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Full details of all benefits payable are available on the Borough's internet at www.barnet.gov.uk/pensions

Contribution Income

Normal contributions both from the members and from the employer are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classified as a current financial asset.

Investment Income

i) Interest Income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amount of any amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distribution from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised profits/losses during the year.

Taxation

The Fund is an exempt approved fund and therefore not liable for UK income tax or capital gains tax. As the London Borough of Barnet is the administrating authority of the fund, VAT input tax is recoverable on all fund activities.

Taxation agreements exist between Britain and a number of countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. The proportion reclaimable varies from country to country. Non-recoverable deductions are classified as withholding tax.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments .Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management expenses.

3. Contributions Receivable

	2011/12	**2010/11**
Employers	£000	£000
LB Barnet	24,353	25,373
Scheduled bodies	14,426	12,966
Admitted bodies	1,329	1,264
Members		
LB Barnet	6,326	6,929
Scheduled bodies	3,348	3,342
Admitted bodies	282	321
	50,064	50,195

4. Transfers In

	2011/12	**2010/11**
	£000	£000
Individual transfers in from other schemes	5,294	4,249

5. Benefits Payable

	2011/12	**2010/11**
	£000	£000
Pensions	30,245	28,224
Commutations and lump sum payments	7,116	8,296
Lump sum death benefits	1,223	708
	38,584	37,228

6. Payments to and on Account of Leavers

	2011/12 £000	2010/11 £000
Refunds to members leaving service	6	6
Group transfers to other schemes	1	-
Individual transfers to other schemes	4,803	5,446
	4,810	5,452

7. Administrative Expenses

	2011/12 £000	2010/11 £000
Administration and processing	960	3,331
Actuarial fees	110	60
Audit fees	36	41
Legal and other professional fees	-	-
	1,106	3,432

All other costs of administration are borne by the London Borough of Barnet.

8. Investment Income

	2011/12 £000	2010/11 £000
Income from fixed interest securities		964
Dividends from equities		6,557
Income from index linked securities		208
Income from pooled investments		100
Income from property unit trusts	788	1,246
Interest on cash deposits	86	248
Other income	399	102
	1,273	9,425
Irrecoverable withholding tax	0	(682)
Total investment income	1,273	8,743

9. Investments 2011/12

	Value at 1 April 2011 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2012 £000
Pooled investment vehicles	638,391	57,101	(9,350)	16,267	702,409
Properties	23,160	0	(23,972)	812	0
	661,551	57,101	(33,322)	17,079	702,409
Cash Deposits	727				1,221
	662,278				703,630

Investments 2010/11

	Value at 1 April 2010 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2011 £000
Fixed interest securities	39,875	115,637	(157,989)	2,477	-
Equities	336,525	119,981	(466,240)	9,734	-
Index- linked Securities	23,808	10,953	(35,852)	1,091	-
Pooled investment vehicles	133,053	565,339	(83,905)	23,904	638,391
Properties	22,264	-	-	896	23,160
	555,525	811,910	(743,986)	38,102	661,551
Cash Deposits	71,817				727
	627,342				662,278

During the year £48 million cash in contributions, dividend income and the proceeds of the sale of property unit trusts were transferred to the fund managers, Schroder Investment Management and Newton. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Any income attributed to the unitised funds are reinvested and accounted for as a change in market value as apposed to income. Thus the investment income for 2011/12 has dropped significantly and 2010/11 is lower than the 2009/10 financial year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. There are also transaction costs incurred on behalf of the unitised funds, but these are reflected in the unit cost. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

All the financial instruments of the fund are classified as level 1, where their fair values are derived from unadjusted quoted prices for identical assets or liabilities. The carrying value of investments is not materially different to their fair value.

The carrying amount of investments held under management by the Fund's investment managers at year end including cash deposits totalled £703,630,000. This was split as follows:

	£000	%
Schroder Investment Management	321,516	45.7
Newton Investment Management	332,715	47.3
Legal & General	49,399	7.0
Total	703,630	100.0

Major Investments

The fund investments are all held in pooled funds. The following investments represent more than 5% of the net assets of the scheme.

Value 2010/11			Value 2011/12	
£'000	as % of investment assets		£'000	as % of investment assets
208,460	31.48	Newton Real Return Fund	226,349	32.17
77,217	11.66	Newton Long Corporate Bond Fund	105,552	15.00
207,368	31.31	Schroder Life Diversified Growth Fund	220,342	31.32
88,398	13.35	Schroder All Maturities Corporate Bond Fund	100,767	14.32

9. Investments (continued)

	2011/12 £000	2010/11 £000
Fixed interest securities		
UK – Government	-	-
UK - Corporate Bonds	-	-
Overseas Corporate	-	-
Overseas Government	-	-
	-	-
Equities		
UK quoted	-	-
Overseas quoted	-	-
	-	-
Index-linked securities		
UK public sector quoted	-	-
Overseas public sector quoted	-	-
	-	-
Pooled investment Vehicles		
UK Managed funds	653,010	593,755
UK Unit Trusts	49,399	44,636
	702,409	638,391
Property		
UK property unit trusts	0	23,160
Cash Deposits		
Sterling	1,221	727

Pooled Investment Vehicles

Both Schroders and Newton run their portfolios on a unitised or pooled basis, the underlying economic exposure to asset classes for each manager are detailed below:

Newton's Portfolio

	Long Corporate Bonds %	Global High Yield Bonds %	Long Gilt %	Newton's Real Return %
Equities				
UK	-			13.05
North America	-	0.14		11.41
Europe Ex UK	-			18.82
Japan	-			2.89
Pacific Ex Japan	-			2.44
Other	-			2.54
Fixed Interest				
UK Gilts			93.02	9.51
UK Index Linked Gilts			1.68	
UK Corporate Bonds	97.18	18.44	5.14	2.40
Overseas Government Bonds		1.06		13.16
Overseas Corporate Bonds		71.76		8.61
Overseas Index Linked Corporate Bonds				2.37
Other Assets				
Commodities				3.93
Derivatives				-0.34
Other Assets				
Cash	2.82	8.60	0.16	9.21
Total	100.00	100.00	100.00	100.00

9. Investments (continued)
Schroders Portfolio

	Diversified Growth Fund	Schroder All Maturities Corporate Bond
	%	%
Equities		
Schroder QEP Global Dynamic Blend Portfolio	17.00	-
Schroder UK Alpha Plus Fund	5.00	-
Schroder European Alpha Plus Fund	3.00	-
Schroder ISF Asian Equity Yield	3.00	-
Schroder ISF US Small & Mid Cap	2.00	-
Schroder US Mid Cap Fund	2.00	-
Schroder Income Fund	1.00	-
Schroder Global Emerging Markets Fund	1.00	-
Passive Equities	10.00	-
Commodities		
UBS Bloomberg CMCI Composite	7.00	-
UBS Bloomberg CMCI Energy	4.00	-
ETF Gold	3.00	-
Schroder ISF Global Energy	3.00	-
		-
High Yield Debt		-
Schroder ISF Global High Yield	6.00	-
Neuberger Berman High Yield Bond Fund	6.00	-
T Rowe Price Global High Yield Bond Fund	3.00	-
Emerging Market Bonds		
Schroder ISF Emerging Market Debt Absolute Return	5.00	-
Mellon Emerging Market Debt Local Currency Fund	3.00	-
PIMCO Emerging Local Bond Fund	1.00	-
Property		
Passive Property	2.00	-
Schroder ISF Asia Pacific Property Securities	1.00	-
Absolute Return		
JPMorgan Highbridge Statistical Market Neutral Fund	1.00	-
Opus Multi-Strategy Fund Note	1.00	-
Opus Macro Fund Note	1.00	-

Investments (continued)
Schroders Portfolio

Infrastructure		
International Public Partnerships Limited	1.00	-
HSBC Infrastructure Company Limited	1.00	
Infrastructure		
John Laing Infrastructure Limited	1.00	-
Other Assets		
Private Equity	1.00	-
Asset Backed Securities Portfolio	2.00	-
Cash	3.00	-
Corporate Bonds		
Sovereign	-	6.20
Securitised	-	11.50
Government Related	-	79.30
Corporate	-	3.00
Total	**100.00**	**100.00**

AVC Investments
The Authority holds assets invested separately from the main fund in the form of individual insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVC). Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year.

AVC Investments	***2010/11*** *£000*	***Contributions*** *£000*	***Income*** *£000*	***Expenditure*** *£000*	***2011/12*** *£000*
Aviva /Norwich Union	*779*	*35*	*7*	*(173)*	*648*
Prudential					
With Profits	*444*	*76*	*47*	*(60)*	*507*
Deposit	*359*	*93*	*2*	*(165)*	*289*
Unit Linked	*319*	*105*	*51*	*(27)*	*448*
Total Prudential AVCs	*1,122*	*274*	*100*	*(252)*	*1,244*

AVC Investments

AVC Investments	***2009/10*** *£000*	***Contributions*** *£000*	***Income*** *£000*	***Expenditure*** *£000*	***2010/11*** *£000*
Aviva /Norwich Union	*753*	*45*		(17)	*779*
Prudential	*.*				
With Profits	*447*	*53*	*35*	(121)	*444*
Deposit	*291*	*82*	*2*	*(16)*	*359*
Unit Linked	*221*	*100*		*(2)*	*319*
Total Prudential AVCs	*989*	*235*	*37*	(139)	*1,122*

The fund does not participate in stock lending arrangements.

10. Investment Management Expenses

	2011/12 £000	**2010/11** £000
Administration, management and custody	1,835	2,805
Performance Measurement Services	7	12
Other advisory fees	78	128
	1,920	2,945

11 Current Assets

	2011/12 £000	**2010/11** £000
Contributions due from employers in respect of		
Employer contributions	4,081	1,141
Member contributions	260	291
Accrued income	-	344
Sundry Debtors	434	906
Cash Balances	6,429	25,285
	11,204	27,967

12. Current Liabilities

	2011/12 £000	**2010/11** £000
Unpaid Benefits	1,547	4,543
Unsettled Purchases	32	22
Accrued Expenses	770	487
	2,349	5,052

13. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2000 and reviewed at least annually, sets out the Fund's policy on a range of matters relating to the investment and management of the Pension Fund. The Statement is published on the Borough's website at www.barnetpensions.org.

14. Related Party Transactions

Fund administration expenses payable to the administrating authority, the London Borough of Barnet are outlined below

	2011/12	2010/11	2009/10
	£000	£000	£000
Human Resources	417	462	581
Accountancy Administration	455	140	143
Payroll Support	-	398	232
	872	1,000	956

The costs of payroll support are included in the Human Resources Recharge.

15. Actuarial Valuation

Barnett Waddingham LLP undertook a formal actuarial valuation of the fund as at 31 March 2010, in accordance with The Local Government Superannuation Regulations 1986. The actuarial valuation calculates the contribution rate payable by Authority, as an employer, to meet the Administering Authority's funding objectives. The actuarial method used by the Actuary is known as the "projected unit credit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund, which is open to new members.

Assumption	Rate
Future pension increases	3.0%
Future pay increases	5.0%
Price inflation	3.5%
Equities/absolute refund funds	7.4%
Gilts	4.5%
Bonds & Property	5.6%
Risk adjusted discount rate	6.7%

The 2010 valuation actuarially assessed the value of the Fund's assets as £609.68 million, being sufficient to meet 76% of the Fund's liabilities.

The latest valuation as at 31st March 2012 as per the requirements of IAS26 is attached. The figures below relate to the FRS17 valuation as at 31st March 2010, and are given for comparison;

Assumption	Rate
Assumed retail price inflation (RPI)	3.9%
Assumed customer price inflation (CPI)	n/a
Salary increases	5.4%
Pension increases	3.9%
Discount rate	5.5%

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 21 December 2010 and is available to view at www.barnet.gov.uk/pensions.

16. Classification of Financial Assets

The following table analyses the carrying amounts of financial assets and liabilities, (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

		Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
		£’000	**£’000**	**£'000**
Year ended 31 March 2011	**Financial Assets**			
	Pooled Investments	638,391		
	Pooled Property	23,160		
	Cash Deposits		26,012	
	Investment income due			
	Debtors		2,682	
	Financial Liabilities			
	Creditors			(5,052)
		661,551	**28,694**	**(5,052)**
Year ended 31 March 2012	**Financial Assets**			
	Pooled Investments	702,409		
	Pooled Property			
	Cash Deposits		7,650	
	Investment income due			
	Debtors		4,775	
	Financial Liabilities			
	Creditors			(2,349)
		702,409	**12,425**	**(2,349)**

17. Nature and Extent of Risks Arising from Financial Instruments

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments and fixed interest securities. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

a) Overall procedures for managing risk

The principal powers to invest are contained in the Local Government Pension scheme (Management and Investment of Funds) regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money.

The Administering Authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks.

The Pension Funds has prepared a Statement of Investment Principles which sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. Investment performance by external Investment Managers is reported to the Pensions Committee quarterly. Performance of Pension Fund investments managed by external Investment Managers is compared to benchmark returns.

b) Credit and counterparty risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund. The Pension Fund reviews its exposure to credit and counterparty risk through it's external Investment Managers by review of the Managers annual internal control reports to ensure that Managers exercise reasonable care and due diligence in its activities for the Pension Fund.

The Pension Fund investment assets are held in pooled funds by Custodians who have acceptable credit ratings determined by three Credit rating agencies. As at 31 March 2012 working capital was held in the Pension Fund Bank account with the Co-operative Bank in a call account with the Bank of Scotland and in accordance with the Council's Treasury management strategy credit rating criteria. In March 2011 the Pension Fund held by the administering authority was in a call account with Santander

	Long Term Credit Rating	Source	Holding 31.3.2011	Holding 31.3.2012
			£'000	£'000
Schroder Group	AA3	Moodys		
JP Morgan (Schroder Custodian)	AA-	Standard and Poors		321,516
Newton –Bank of New York Mellon (Parent)	A+	Standard and Poors		332,715
Bank of Scotland	A1	Moodys		2,272
Co-operative Bank	A3	Moodys	300	4,085
Santander UK	Aa3	Moodys	21,640	-

c) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will not be able to meets its financial obligations when they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension fund has a comprehensive cashflow management system that seeks to ensure that the cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours.

d) Market risk

Market risk is the risk that the fair value or future cashflows of a financial instrument can fluctuate because of changes in market prices.

The Pension fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, subject to investment limits, in accordance with local Government Pension Scheme (Management and Investment of Funds) regulations 2009. Details of these can be found in the Pension fund's Statement of Investment Principles.

As the Pension Fund's Multi Asset Strategy does not provide a breakdown by asset class, following analysis of historical data and in consultation with the fund adviser, sensitivity analysis is based on an assumed a 10% volatility for pooled assets and 1% for cash

2011-12

Asset Type	Market Value 31.3.2012	Percentage Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Pooled Investments	702,409	10.0	772,650	632,168
Pooled Property	-	-	-	-
Cash Deposits	7,650	1.0	7,727	7,574

2010-11

Asset Type	I Market Value 31.3.2011	Percentage Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Pooled Investments	638,391	10.0	702,230	574,552
Pooled Property	23,160	10.0	25,476	20,844
Cash Deposits	26,012	1.0	26,271	25,752

e) Exchange rate risk

The Pension Fund holds a number of financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies. This risk is managed by holding the fund assets in Sterling.

f) Refinancing risk

The key risk is that the Pension Fund will be required to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Pension Fund does not have any financial instruments that carry a refinancing risk.

London Borough of Barnet Pension Fund

Barnett Waddingham
Public Sector Consulting

18 May 2012

1. Introduction

We have been instructed by London Borough of Barnet, the Administering Authority to the London Borough of Barnet Pension fund ("the Fund"), to provide pension disclosures in respect of pension benefits provided by the Local Government Pension Scheme ("the LGPS") to members of London Borough of Barnet Pension Fund ("the Fund") as at 31 March 2012.

This report is addressed to the Administering Authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

These figures have been prepared in accordance with IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. It is contracted out of the State Second Pension.

2. Valuation Data

Data Sources

In completing our calculations for IAS26 purposes we have used the following items of data, which we received from London Borough of Barnet:

- The results of the Triennial Actuarial Valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2012;
- Estimated whole fund returns for the period to 31 March 2012 based on assets used for the purpose of the Triennial valuation as at 31 March 2011, actual fund returns for the period to 31 January 2012 and then market returns (estimated where necessary) for the period to 31 March 2012;
- Details of any new early retirements for the period to 31 March 2012 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report, especially in the context of the roll-forward approach we have taken (as described in the next section). Further, we are not aware of any material changes or events since we received the data.

Employer Membership Statistics

The table below summarises the membership data as at 31 March 2010.

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	7,048	153,939	46
Deferred Pensioners	7,371	10,045	45
Pensioners	6,261	28,171	70

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2012 is estimated to be 5%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for London Borough of Barnet Pension Fund as at 31 March 2012 is as follows:

Employer Asset Share - Bid Value	31 March 2012		31 March 2011	
	£000's	%	£000's	%
Equities	372,337	52%	376,043	56%
Gilts	71,603	10%	13,430	2%
Other Bonds	236,291	33%	221,597	33%
Property	-	-	26,860	4%
Cash	28,641	4%	33,575	5%
Alternative Assets	7,160	1%	-	-
Total	**716,032**	**100%**	**671,505**	**100%**

The final asset allocation of the Fund assets as at 31 March 2012 is likely to be different from that shown due to estimation techniques.

Unfunded Benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Pension Fund.

3. Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Employer's liabilities as at 31 March 2012, we have rolled forward the value of the Employer's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2012 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2012 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA Heavy tables allowing for medium cohort projection, with a minimum 1% improvement and a 90% scaling factor.

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)		31 March 2012
Retiring Today		
	Males	20.0
	Females	24.0
Retiring in 20 years		
	Males	22.0
	Females	25.9

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows.

Assumptions as at	31 March 2012		31 March 2011		31 March 2010	
	%p.a.	Real	%p.a.	Real	%p.a.	Real
RPI Increases	3.3%	-	3.5%	-	3.9%	-
CPI increases	2.5%	-0.8%	2.7%	-0.8%	n/a	
Salary Increases	4.7%	1.4%	5.0%	1.5%	5.4%	1.5%
Pension Increases	2.5%	-0.8%	2.7%	-0.8%	3.9%	-
Discount Rate	4.6%	1.3%	5.5%	1.9%	5.5%	1.5%

These assumptions are set with reference to market conditions at 31 March 2012. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale. This is a slightly lower long-term assumption than last year to reflect the continuing climate of low salary increases.

4. Results and Disclosures

The results of our calculations for the year ended 31 March 2012 are set out in Appendix 1. We estimate that the net liability as at 31 March 2012 is a liability of £496,437,000.

In addition, Appendix 2 details a reconciliation of assets and liabilities during the year.

The figures in this report are presented only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Graeme Muir FFA
Partner

Alison Hamilton FFA
Partner

Appendix 1. Balance Sheet Disclosure as at 31 March 2012

Net Pension Asset as at	31 Mar 2012 £000's	31 Mar 2011 £000's	31 Mar 2010 £000's
Present Value of Funded Obligation	1,212,469	989,896	1,115,978
Fair Value of Scheme Assets (bid value)	716,032	671,505	631,401
Net Liability	**496,437**	**318,391**	**484,577**

*Present Value of Funded Obligation consists of £1,004,212,000 in respect of Vested Obligation and £208,257,000 in respect of Non-Vested Obligation.

Appendix 2. Asset and Benefit Obligation Reconciliation for the Year to 31 March 2012

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Opening Defined Benefit Obligation	**989,896**	**1,115,978**
Service cost	35,286	37,356
Interest cost	54,528	61,703
Actuarial losses (gains)	163,238	(102,208)
Losses (gains) on curtailments	1,730	1,021
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Estimated benefits paid net of transfers in	(44,242)	(35,669)
Past service cost	-	(98,564)
Contributions by Scheme participants	12,033	10,279
Unfunded pension payments	-	-
Closing Defined Benefit Obligation	**1,212,469**	**989,896**

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Opening fair value of Scheme assets	**671,505**	**631,401**
Expected return on Scheme assets	43,845	40,891
Actuarial gains (losses)	(12,064)	(13,653)
Contributions by employer including unfunded	44,955	38,256
Contributions by Scheme participants	12,033	10,279
Assets acquired in a business combination	-	-
Estimated benefits paid net of transfers in and including unfunded	(44,242)	(35,669)
Receipt / (Payment) of bulk transfer value	-	-
Fair value of Scheme assets at end of period	**716,032**	**671,505**

Reconciliation of opening & closing surplus	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Surplus (Deficit) at beginning of the year	**(318,391)**	**(484,577)**
Current Service Cost	(35,286)	(37,356)
Employer Contributions	44,955	38,256
Unfunded pension payments	-	-
Past Service Costs	-	98,564
Other Finance Income	(10,683)	(20,812)
Settlements and Curtailments	(1,730)	(1,021)
Actuarial gains (losses)	(175,302)	88,555
Surplus (Deficit) at end of the year	**(496,437)**	**(318,391)**