



PENSION FUND

ANNUAL REPORT

2018/19

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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 £572 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 ambitions that 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, a requirement introduced by 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, with the exception of monitoring the performance of Capita in providing pension administration service, which is delegated to the Financial Performance and Contracts 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 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 (other than the provision of pension administration).

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 five times during the year. Cllrs Hutton, Rich and Simberg missed one and Cllr Marshall, two meetings.

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

Local Pension Board

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 2018/19

Chairman: Councillor Mark Shooter

Vice-Chairman Councillor John Marshall

Members: Councillor Anthony Finn
Councillor Anne Hutton
Councillor Alison Moore
Councillor Danny Rich
Councillor Eliot Simberg

Substitutes: Councillors: Eva Greenspan; Ross Houston;
Arjun Mittra; Reema Patel; Stephen Sowerby; Peter Zinkin

Observers: John Burgess Unison
James Kennedy Middlesex University

Local Pension Board

Employer Representatives: Professor Geoffrey Alderman (Chairman)
Councillor Daniel Thomas
Vacancy

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

Independent: Stephen Ross

Substitute Member: Alice Leech

Officers

LB Barnet

Anisa Darr Director of Finance and S151 Officer (from March 2019)
Kevin Bartle Interim Director of Finance and S151 Officer (to February 2019)
Paul Clarke Deputy Finance Director
George Bruce Head of Treasury and Pensions

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

Diane Dixon 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 £54.672 million in the year to £1,151.24 million. There was an inflow of £1.308 million from dealings with members, expenses of £8.073 million were incurred and a return from investments of £61.437 million.

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

	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Dealing with members					
Contributions	-55,338	-54,238	-59,564	-60,265	-61,151
Pensions, lump sums and transfers out	48,134	56,002	56,644	54,447	59,843
Net (additions) from dealings with members	-7,204	1,764	-2,920	-5,818	-1,308
Management expenses	4,514	5,095	4,904	5,870	8,073
Investment income	-29	-12	-1,620	-2,405	-4,989
Change in market value	-92,163	5,725	-136,188	-42,058	-56,448
Net (increase) in the Fund	-94,882	12,572	-135,824	-44,411	-54,672

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 out are variable year to year and declined by £1.6 million in 2017-18.

The growth in expenses reflects the inclusion of Barnet's share of costs internal to pooled funds and their increased use. Further details are given below. 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 five years.

	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Pooled funds	910,564	900,163	1,014,952	1,074,130	1,127,712.00
Cash	1,160	2,609	23,920	3,505	14,310.00
Investment in London CIV	0	150	150	150	150.00
Current Assets	22,085	15,935	14,524	21,080	10,850.00
Current Liabilities	-4,904	-2,524	-1,389	-2,297	-1,782.00
Total Net Assets	928,905	916,333	1,052,157	1,096,568	1,151,240

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 page below details the scheme expenses in the last three years:

	2016-17		2017-18		2018-19	
	£'000	£'000	£'000	£'000	£'000	£'000
Administration		466		465		627
Investment Management						
Management Fees	2,772		3,425		3,675	
Performance related Fees	0		387		1,173	
Custody fees	13		15		15	
Transaction Costs	0		646		1,563	
		2,785		4,473		6,426
Oversight & Governance						
Actuarial	138		79		150	
Investment Advice	146		105		115	
Audit	28		28		26	
Council officers recharge	909		714		692	
other	432		6		37	
		1,653		932		1,020
Total		4,904		5,870		8,073

The above table includes costs incurred via pooled vehicles. These represent costs of £5.234 million in the current year (2017-18: £3.049 million). 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, which for accounting purposes are estimated and included within costs. The growth in internal fund costs is partly due to changes in best practice guidance on cost disclosure that has increased standardisation of reporting.

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 and encouraged other managers e.g. Schroders to reduce charges.

Actuarial and investment advisory fees were lower in 2017-18. The current year has been impacted by preparation for the 2019 triennial valuation and reviews of alternative arrangements for pension administration.

Administration costs in 2019 include an additional charge for the reconciliation of GMP records with HMRC. These costs are collated by LB Barnet and recharged to the Pension Fund. In total costs of £1.3 million were incurred by the Council and recovered from the Pension Fund. These costs are monitored by the Pension Fund Committee and considered to be fair. The Government produces annual statistics on LGPS expenses. Due to inconsistencies in the quantification of costs, particularly pooled fund costs, comparison can be misleading. Overall LGPS costs in 2017-18 (latest year available) were reported as £205 per member. Barnet's costs of £299 per member were higher, mostly relating to investment activity. The ongoing transfer of assets to mandates managed by the London CIV will help to ensure that investment costs are not excessive.

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 fund as a whole primary contribution rate for 2018/19 was unchanged at 17.9% of pensionable pay plus a secondary contribution of £14.684 million. For 2019/20 the secondary contribution increases to £16.047 million.

This is the aggregate required employer contribution to achieve a 66% probability of returning to a fully funded position over 20 years. The Actuary determines the contribution rate for each employer. The employer with the largest membership and fund share is LB Barnet, whose employer's contribution rate in 2018-19 was 26.9%, increasing by 1% in 2019-20 to 27.9% of pensionable earnings. 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 2019, the value of the Fund's investment assets was £1,142.2 million (31 March 2018: £1,077.8 million). This represents an increase of £64.4 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:

Property	+10%
Emerging Market Equities	+5%
Private equity	+5%
Diversified growth funds	-20%

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 Committee and the advisor have agreed to phase out the allocation to diversified growth funds (DGF's), currently managed by London CIV (Newton) and Schrodgers and replace by allocations to three new asset classes; property, private equity and emerging market equities. The performance of DGF's have been below expectations over many years. These investments are being realised when funds are drawn down by the new mandates

The fund's investment strategy and investments as at 31st March 2019 are given in the table below.

During the year one new Commitment of \$32 million was made to the CBRE Global Alpha fund. The Pension Fund Committee also agreed to invest with the London CIV (LCIV) emerging markets fund (5%, circa £55 million) and the London CIV private debt fund (£30 million) but these are not as yet contractual commitments.

Fund investments are often drawn in stages as investment opportunities become available and during the year £23.2 million was invested (excluding re-invested distributions). Drawdowns were made by Partners MAC 2017 (£19.5m) and Clareant European Direct Lending (£3.7m).

Funding for these mandates was from partial realisations of the LCIV DGF (£15.5m) and distributions from Partners MAC 2015 (£6.8m).

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		50%	
LGIM	FTSE All World Index	20%	Track within +/- 0.5% p.a. the index for 2 years in every 3
LGIM	FTSE RAFI All World Equity GBP Hedged Index	20%	
LCIV Emerging Mkt Equities	MSCI Emerging Market Index (TR) Net	5%	
Private Equity	FTSE All World index + 5%	5%	
Divsified Growth Fund		0%	
Schroder DGF	CPI plus 5% p.a.	0%	To outperform the benchmark over a market cycle (typically 5 years to outperform the benchmark over a rolling 5 years
Newton Real Return	1 month LIBOR plus 4% p.a.	0%	
Property		10%	
UK Commercial property (manager tbc)	tbc	5%	
Aberdeen Long lease fund	FTSE All Gilt Index +2% p.a.	2.5%	
CBRE - Global Alpha	9-11% p.a.	2.5%	
Corporate Bonds		10%	
Schroders All Maturities Corporate Bond Fund	Merrill Lynch Sterling Non-Gilts All Stocks Index	10%	To outperform the benchmark by 0.75% p.a. (gross of fees) over a rolling 3 years
Liquid 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%	
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.	11%	Over the life of the fund
Partners Multi Asset Credit 2017	3 month LIBOR plus 4% p.a.	included above	Over the life of the fund
Alcentra - Clareant Direct European Lending	8-10% per annum	included above	Over the life of the fund
LCIV Private Debt Fund (Ares)	8-10% (gross) p.a.	included above	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 2019:

Asset class	Actual Proportion	Benchmark Proportion	Maximum Allocation
Global Equity	39.6%	50%	50%
Diversified growth funds	22.9%	0%	25%
Property	0.0%	10%	12%
Liquid Multi-asset credit	10.2%	11%	20%
Corporate bonds	10.7%	10%	13%
Illiquid alternatives	15.3%	19%	30%
Cash	1.3%	0%	n/a
	100.0%	100%	

There were no breaches of these limits during the year.

Independent Advisor

The Pension Fund Committee and Council Officers receive investment advice from the investment 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.

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 2018/19

3.1 Fund Performance

Over the 12 months to 31 March 2019, the Fund returned 5.1% (net of fees) versus a combined benchmark return of 6.5%.

The table below details the Fund's performance for the 12 months, 3 and 5 years to 31 March 2019.

	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Total Fund	5.1%	7.9%	6.7%
Combined benchmark	6.5%	8.3%	7.6%
Relative	-1.3%	-0.4%	-0.9%

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.

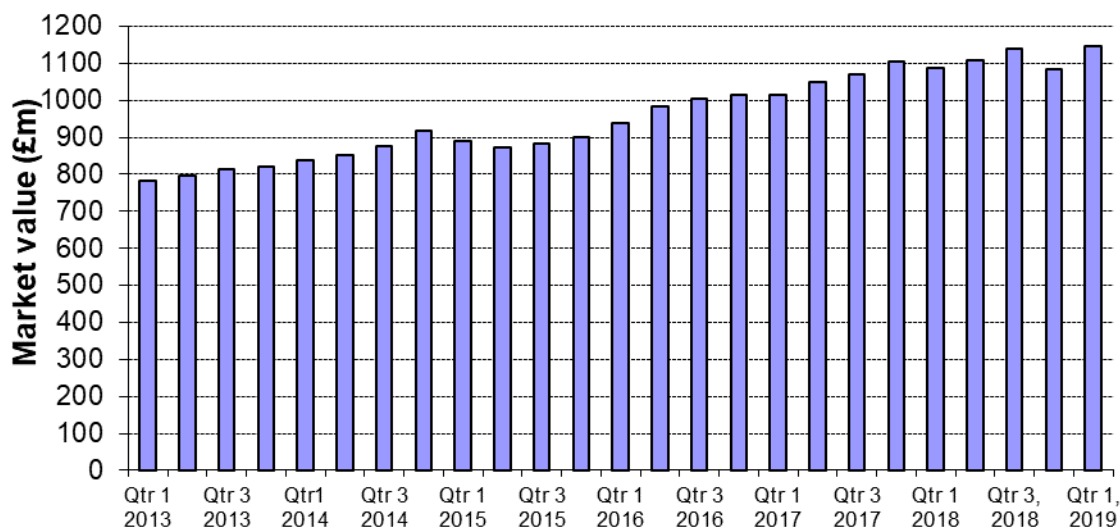
Performance Summary (Net of fees) – to 31 March 2019

		LGM 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 Markets Corporate Bond Fund	Alcentra Direct Lending	Partners Group MAC 2015	Partners Group MAC 2017	IFM Global Infrastructure	Total Fund
3 Months (%)	Absolute	9.8	2.9	4.3	4.8	4.3	1.4	1.1	4.1	1.4	1.9	1.7	0.8	5.8
	Benchmark	9.8	1.2	1.2	1.2	1.5	1.2	0.6	4.2	2.4	1.5	1.5	2.5	5.1
	Relative	0.0	1.6	3.1	3.6	2.8	0.2	0.4	-0.1	-0.9	0.4	0.3	-1.7	0.7
12 Months (%)	Absolute	6.2	2.7	7.0	-0.5	2.1	2.5	1.0	3.7	N/A	N/A	N/A	N/A	5.1
	Benchmark	6.3	4.9	4.8	6.3	5.9	4.9	2.6	3.8	N/A	N/A	N/A	N/A	6.5
	Relative	-0.1	-2.1	2.1	-6.4	-3.6	-2.3	-1.6	0.0	N/A	N/A	N/A	N/A	-1.3
3 Years (% p.a.)	Absolute	12.4	N/A	2.4	4.8	N/A	N/A	N/A	5.7	N/A	N/A	N/A	N/A	7.9
	Benchmark	12.4	N/A	4.5	7.5	N/A	N/A	N/A	4.7	N/A	N/A	N/A	N/A	8.3
	Relative	0.0	N/A	-2.0	-2.7	N/A	N/A	N/A	0.9	N/A	N/A	N/A	N/A	-0.4
Since Inception (% p.a.)	Absolute	9.5	6.0	3.1	3.9	6.2	3.8	2.8	6.3	10.2	4.0	2.9	4.0	6.1
	Benchmark	9.5	4.6	4.6	7.5	5.6	4.5	2.4	6.2	4.8	3.0	3.0	5.1	7.4
	Relative	0.0	1.3	-1.4	-3.4	0.6	-0.7	0.4	0.2	5.1	1.0	-0.1	-1.1	-1.3

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 2019 (six years).

Market value of Pension Fund



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.

[to be updated]

Case Group	Local Pensions Board - Agreed LGPS Performance Targets	Achieved %
<i>Change of details</i>	Process change to member details within 10 days of receipt of request	95.61%
<i>Enquiries</i>	Provide response to member or beneficiary within 10 days of receipt of correspondence	97.03%
<i>Request for Estimate of Benefits</i>	Issue benefit quotation within 10 days of receipt of request	93.48%
	Provide statement of Preserved Benefits within 20 days of notification of exit	
<i>Leavers on Termination/Opting out</i>	Process payment of refund of contributions within 10 days of receipt of notification	84.90%
	Process payment of transfer value within 10 days of receipt of all relevant documentation	
<i>New Starters</i>	Creation of system record within 4 days of receipt of notification	91.36%
<i>Retirements</i>	Issue retirement quote to members 7 months prior to their normal retirement date	78.65%
	Issue retirement quote within 10 days of receipt of request	
	Process payment of pension lump sum on normal retirement date of within 10 days of receipt of preferred options where appropriate	
<i>Transfers In</i>	Issue request for transfer details to previous scheme within 5 days of receipt of new starter details	87.50%
	Issue receipt for payment of transfer value within 10 days of receipt of member's confirmation to proceed	
	Update member record with details of transfer in within 7 days of receipt of transfer value payment	
<i>Transfers Out</i>	Provide details of deferred pension and transfer value within 20 days of receipt of request from new scheme	88.40%
	Process payment of transfer value within 10 days of receipt of member's confirmation to proceed	
<i>Bereavements</i>	Issue initial correspondence to beneficiary following notification of death within 5 days	88.06%
	Issue details of benefits payable on death within 5 days of receipt of completed documentation	
	Process payment of death lump sum within 5 days of receipt of documentation	
<i>Other</i>	issue appropriate documentation / response to requests for information within 10 days of receipt of request	97.11%

3.4 Membership of the Pension Fund 2018/19

	31 March 2019	31 March 2018
Number of employers with active members	61	65
Number of employees in scheme		
London Borough of Barnet	5,166	5,166
Other employers	3,464	3,762
Total	8,630	8,928
Number of pensioners		
London Borough of Barnet	5,896	5,156
Other employers	2,186	2,683
Total	8,082	7,839
Deferred pensioners		
London Borough of Barnet	7,189	6,616
Other employers	3,614	3,661
Total	10,803	10,277
Total number of members in pension scheme	27,515	27,044

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:

Absolutely Catering	Green Sky (2)	NSL Ltd
Allied Healthcare	Greenwich Leisure	OCS Group UK Ltd
Barnet Education Arts Trust	Hartwig (2)	Optivo (Viridian Housing)
Capita CSG	Hestia	Ridge Crest Cleaning
Capita DRS	ISS	
Freemantle Trust	Mears Group	

NB Contractors with more than one contract are counted as multiple employers

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	Queen Elizabeth's Boys' School
Alternative Provision (Oak Hill)	Grasvenor Avenue Infant	Queen Elizabeth's Girls' School
Archer Academy	Hasmonean High School	Rimon Jewish Primary School
Ashmole Academy	Hendon School	St Andrew the Apostle School
Barnet & Southgate College	Henrietta Barnett School	St James' School
Barnet Homes	Hyde School	St Mary's & St John's Primary
Bishop Douglass School	Independent Jewish Day School	St Michael's Grammar School
Broadfields Academy	Kisharon Academy	Summerside School
Cambridge Education	London Borough of Barnet	Totteridge Academy
Christ College	London Academy	Whitefield Trust School
Claremont Primary School	Menorah Foundation School	Woodhouse College Academy
Compton Academy	Middlesex University	Wren Academy
Copthall Academy	Mill Hill County High School	Your Choice Barnet
Deansbrook Junior Academy	Osidge Primary School	
East Barnet Academy	Parkfield Primary School	

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 2018/19

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 but there have been strong asset returns over the 3 years. 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

2 May 2019

Hymans Robertson LLP

20 Waterloo Street, Glasgow, G2 6DB

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

STATEMENT OF RESPONSIBILITIES

PENSION FUND'S RESPONSIBILITIES

London Borough of Barnet Pension Fund is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In London Borough of Barnet Pension Fund, that officer is the Director of Finance and Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

DIRECTOR OF FINANCE AND S151 OFFICER'S RESPONSIBILITIES

The Director of Finance and S151 Officer is responsible for the preparation of London Borough of Barnet Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code).

In preparing this Statement of Accounts, the Director of Finance and S151 officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the CIPFA Code of Practice.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER CERTIFICATE

I certify that the Pension Fund Statement of Accounts 2018/19 present a true and fair view of the financial position of the London Borough of Barnet Council Pension Fund (the Balance Sheet) and its income and expenditure for the year ended 31 March 2019.

Signed:.....

Date:

Anisa Darr

**Director of Finance and Section 151
Officer**

CHAIRMAN OF PENSION FUND COMMITTEE CERTIFICATE

In accordance with the Accounts and Audit (England) Regulations 2015, I certify that the Statement of Accounts was approved by the Pension Fund Committee.

Councillor:.....

Date:

Mark Shooter

Chairman, Pension Fund Committee