



PENSION FUND

ANNUAL REPORT

2019/20

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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 2019. 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, the Council and other participating employers are 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 (LCIV). The Pension Fund Committee approved the investment of £150,000 as regulatory capital in 2015. The Fund's investments with Legal and General, LCIV NW Real Return and LCIV Emerging Market Equities (44.2% of investments) are either invested with the LCIV or monitored by them. 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 each missed one meeting. Cllrs Houston, Mitra and Zinkin attended as substitutes.

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 2019/20

Chairman: Councillor Mark Shooter

Vice-Chairman Councillor Elliot Simberg

Members: Councillor Anthony Finn
Councillor Anne Hutton
Councillor John Marshall (replaced 23 July 2020 by Councillor Peter Zinkin)
Councillor Alison Moore
Councillor Danny Rich (replaced 23 July 2020 by Councillor Kathy Levine)

Substitutes: Councillors Eva Greenspan; Ross Houston; Arjun Mittra; Reema Patel; Stephen Sowerby; Melvin Cohen

Observers: John Burgess Unison
James Kennedy Middlesex University

Local Pension Board

Employer Representatives: Professor Geoffrey Alderman (Chairman)
Councillor Thomas Smith (replaced 4 September 2019: Councillor Daniel Thomas
Rebecca Doctors (joined 10 February 2020)

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

Independent: Stephen Ross

Substitute Member: Alice Leach
Councillor Helene Richman

Officers

LB Barnet

Anisa Darr	Director of Finance and S151 Officer
Paul Clarke	Deputy Finance Director
George Bruce	Head of Pensions
Mark Fox	Pensions Manager

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 Capita 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 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 decreased by £72.703 million in the year to £1,079,433 million. There was an inflow of £0.199 million from dealings with members, expenses of £9.536 million were incurred and a return from investments of minus £63.366 million.

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

	2015-16	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000	£'000
Dealing with members					
Contributions	-54,238	-59,564	-60,265	-61,950	-65,257
Pensions, lump sums and transfers out	56,002	56,644	54,447	59,746	65,058
Net (additions) from dealings with members	<u>1,764</u>	<u>-2,920</u>	<u>-5,818</u>	<u>-2,204</u>	<u>-199</u>
Management expenses	5,095	4,904	5,870	8,073	9,536
Investment income	-12	-1,620	-2,405	-4,989	-8,598
Change in market value	5,725	-136,188	-42,058	-56,448	71,964
Net (increase) in the Fund	<u>12,572</u>	<u>-135,824</u>	<u>-44,411</u>	<u>-55,568</u>	<u>72,703</u>

Contributions have increased due to a 1% increase in the Council's contribution rate from 1 April 2019 together with increases in deficit contributions and additional contributions relating to early retirements.

Pensions are impacted by inflation and increases in the numbers of pensioners. Transfers out are variable year to year and increased by £3.0 million compared with the prior year.

The growth in expenses reflects the inclusion of Barnet's share of costs internal to pooled funds and the receipt of comprehensive reporting of internal fund costs. Further details of expenses are given below. Most investment income is retained within pooled funds and included within the change in market value of investments. Investment markets, having risen strongly over the last five years, suffered falls in Q1, 2020 as Governments' globally restricted movement to tackle the Covid-19 infection rate. Post year end, most of the Q1 losses have been reversed.

The table below summarises the change in net assets of the fund over the last five years.

Net Asset Statement

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Pooled funds	900,163	1,014,952	1,074,130	1,127,712	1,067,106
Cash	2,609	23,920	3,505	14,310	3,698
Investment in London CIV	150	150	150	150	150
Current Assets	15,935	14,524	21,080	11,649	11,713
Current Liabilities	-2,524	-1,389	-2,297	-1,685	-3,234
Total Net Assets	916,333	1,052,157	1,096,568	1,152,136	1,079,433

The asset value has reduced reflecting the impact of Covid-19 on investment markets in Q1, 2020. All investments are held in pooled funds. Further details of investments are given in section 2.

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

	2016-17		2017-18		2018-19		2019-20	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration		466		465		627		913
Investment Management								
Management Fees	2,772		3,425		3,675		4,559	
Performance related Fees	0		387		1,173		1,376	
Custody fees	13		15		15		15	
Transaction Costs	0		646		1,563		1,811	
		2,785		4,473		6,426		7,761
Oversight & Governance								
Actuarial	138		79		150		221	
Investment Advice	146		105		115		145	
Audit	28		28		26		64	
Council officers recharge	909		714		692		399	
other	432		6		37		33	
		1,653		932		1,020		862
Total		4,904		5,870		8,073		9,536

The above table includes costs incurred via pooled vehicles. These represent costs of £6.588 million in the current year (2018-19: £5.234 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 charge their costs directly to the value of investments, which for accounting purposes are estimated using information from each fund and included within costs above. The growth in internal fund costs is partly due to changes in best practice on cost disclosure that has increased standardisation and completeness 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 scheme managers e.g. Schroders, to reduce charges.

Actuarial fees are higher in 2019-21 due to the completion of the 2019 triennial valuation.

Administration costs in 2019 include an additional charge for the reconciliation of GMP records with HMRC together with an allocation of LBB staff time for those who work entirely on administration. During 2019-20 three staff were recruited by the Council to review the administration arrangements and subsequently to manage the transition of administration services to West Yorkshire Pension Fund. In aggregate 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 2018-19 (latest year available) were reported as £222 per member. Barnet's costs of £293 per member are higher, mostly relating to investment activity, where costs per member are £44 greater than the LGPS average. 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 2019

The funding level at 31 March 2019 was 86%, an increase of 13% from 2016. This corresponds to an improved funding deficit from £339 million in 2016 to £190 million in 2019. The fund's primary contribution rate as a whole for 19/20 remained unchanged at 17.9% of pensionable pay plus a secondary contribution of £16.047 million. For 2020/21 the fund as a whole primary contribution rate increases to 20.6% with secondary funding set at £11.142 million. The increase in the primary rate reflects the projected cost of providing future benefits, while the reduced deficit is due to the improved funding position.

The contribution schedule effective from 1 April 2020 is the aggregate required employer contribution to achieve a 70% probability of returning to a fully funded position over 17 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 2019-20 was 27.9%, an increase of 1% from 2018-19. The rate for 2020-21 is unchanged at 27.9%. The next triennial actuarial valuation will be as at 31st March 2022

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 including 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 pooled 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 2020, the value of the Fund's investment assets was £1,071.0 million (31 March 2019: £1,142.2 million). This represents a decrease of £71.2 million compared with the previous year reflecting the returns generated by investment managers, which were impacted in Q1, 2020 by the reaction of investment markets to actions taken by Governments globally to control the spread of the COVID-19 virus. As noted below, most of the Q1 losses were recovered by June 2020 and the investment value at that date was £1,213.8 million.

During the year the no changes were made to the investment strategy:

The Pension Fund Committee continues to work with Hymans Robertson to improve the expected outcome from the investment strategy and the strategic allocations are based on modelling undertaken by Hymans that considers the expected funding levels for a range of possible strategies 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 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 2020 are given in the table below.

During the year four new Commitment were made. These are:

Standard Life Long Lease Property fund	£27million
Adams Street Global Private Equity Fund 2019	\$67.5 million
LCIV Emerging Markets Equity Fund	£40 million
Partners Group Multi Asset Credit Fund 2019	£30 million

Fund investments are often drawn in stages as investment opportunities become available. During the year the following drawdowns were completed:

Standard Life Long Lease Property Fund	£27 million
CBRE Global Alpha Property Fund	\$32 million
LCIV Emerging Market Equities	£40 million
Partners Group Multi Asset Credit Fund 2019	£22.5 million
Adams Street Global Private Equity Fund 2019	\$1.9 million

Funding for these mandates was from partial realisations of the following investments:

LCIV Real Return Fund	£78.0 million
Schrodgers Diversified Growth Fund	£20.0 million
Partners Group Multi Credit	£5.1 million
Alcentra European Direct Lending	£3.6 million
Others	£0.3 million

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 (Adams Street)	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
LCIV (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%	To outperform the benchmark over a market cycle (typically 5 years)
Insight - IIFIG Secured Finance	3 month LIBOR plus 4% p.a.	4%	To outperform the benchmark over a market cycle (typically 5 years)
Illiquid Alternatives		19%	
Partners Multi Asset Credit	3 month LIBOR plus 4% p.a.	11%	Over the life of the fund
Alcentra - Clareant Direct			
European Lending	8-10% per annum	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 2020:

Asset class	Actual Proportion	Benchmark Proportion	Maximum Allocation
Equity	40%	50%	50%
Listed equity	40%	45%	
Private equity	0%	5%	
Diversified growth funds	15%	0%	25%
Property	5%	10%	12%
Infrastructure	6%	5%	7%
Corporate bonds	12%	10%	13%
Illiquid credit	9%	11%	23%
Multi-credit	6%	7%	10%
Alternative credit	7%	7%	10%
Cash	0%	0%	n/a
	100%	100%	

There were no breaches of these limits during the year.

Pooling

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing an approach to pooling that ensures maximum cost effectiveness both in terms of investment returns and management fees and costs.

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The LCIV is in the process of opening a range of sub-funds across all the asset classes likely to be of interest to the pension funds of London Boroughs.

The Fund transitioned its holdings in the Newton Real Return Fund to the LCIV during 2016. The value of the holding at 31 March 2020 is £45.3 million (31 March 2019: £120.4 million). During the year £40 million was invested in the LCIV Emerging Market Equity Fund. The Fund will look to transfer other asset classes to the LCIV as and when there are suitable investment strategies available. The Fund has previously committed to invest £30 million with the LCIV Private Debt Fund, but this fund was postponed by the LCIV.

The Fund holds assets in life funds managed by Legal & General Investment Management (LGIM) valued at £394.6 million (36.8% of the fund) as at 31 March 2020. The Fund holds these outside the LCIV in accordance with government guidance on the retention of life funds outside of pools. The LCIV has negotiated fees for the life funds and monitors the performance of the life funds.

The performance of the pooled and non-pooled assets is detailed in section 3.1 below of this report.

Costs and Savings

The Fund contributed to the costs of the LCIV in the year to 31 March 2020 by way of both fixed charges and additional fund manager fees. The fixed charges comprise an annual service charge of £25,000 (2018/19: £25,000) and a funding development charge of £65,000 (2018/19: £65,000). In addition, fees based on assets being monitored by LCIV were £18,623 (2018/19: £52,746).

The fee rates payable to LGIM and Newton reduced substantially after pooling. Due to confidentiality issues it is not possible to publish the previous or current fee rates. The management fee savings during the year to 31 March 2020 are £403,000 (2018/19: £395,000).

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 2019/20

3.1 Fund Performance

Over the 12 months to 31 March 2020, the Fund returned negative 5.7% (net of fees) versus a combined benchmark return of negative 2.5%.

The table below details the Fund's performance for the 12 months, 3 and 5 years to 31 March 2020.

	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Total Fund	-5.70%	0.60%	4.60%
Combined benchmark	-2.50%	2.80%	6.30%
Relative	-3.30%	-2.20%	-1.60%

Note: Total Fund performance excludes cash holding.

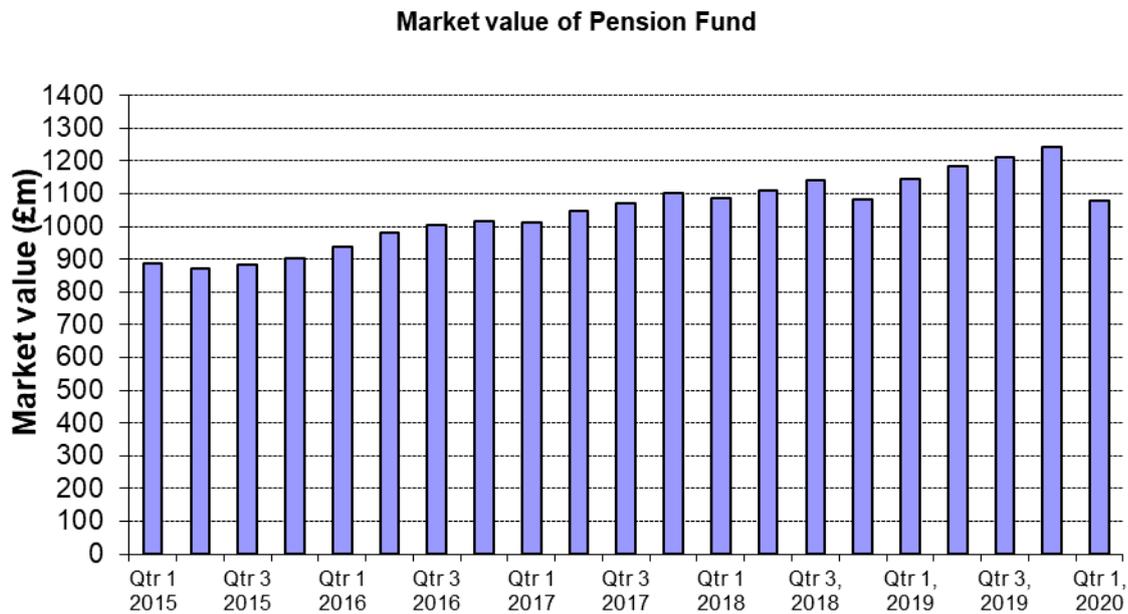
It is important to note that the Scheme's diversified growth and multi-credit mandates are all benchmarked against 'cash plus' performance objectives. These types of performance objectives, e.g. LIBOR + 4% p.a. are broadly in line with a long-term expected return from equities and so are less helpful 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 2020

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM Global Equity	-22.2	-22.4	0.2	-12.8	-13.0	0.3	-0.9	-1.0	0.1	6.7	6.8	-0.0
LCIV Emerging Markets Fund	-17.7	-18.4	0.9	n/a	n/a	n/a	n/a	n/a	n/a	-13.2	-13.8	0.7
BNY Mellon Real Return Fund	-9.1	1.1	-10.2	-2.2	4.8	-6.7	0.9	4.6	-3.6	2.5	4.6	-2.0
Schroder Life Diversified Growth Fund	-11.4	1.3	-12.6	-6.8	6.6	-12.6	-1.0	6.8	-7.4	2.6	7.4	-4.4
Standard Life Long Lease Property Fund	1.6	6.8	-4.9	n/a	n/a	n/a	n/a	n/a	n/a	4.8	10.4	-5.1
CBRE GIP Global Alpha Fund	-3.5	2.5	-5.9	n/a	n/a	n/a	n/a	n/a	n/a	3.2	5.1	-1.7
Income												
Alcentra Multi-Credit	-18.2	1.2	-19.2	-15.6	4.9	-19.5	-3.2	4.7	-7.6	-0.0	4.6	-4.4
Barings Multi-Credit	-18.5	1.4	-19.7	-15.4	5.9	-20.1	-3.5	5.7	-8.8	-0.0	5.7	-5.4
Insight Secured Finance Fund	-7.4	1.2	-8.5	-4.2	4.9	-8.7	n/a	n/a	n/a	0.8	4.8	-3.8
M&G ABS Alternative Credit Fund	-7.2	0.6	-7.7	-5.2	2.6	-7.5	n/a	n/a	n/a	0.1	2.4	-2.3
Schroder All Maturities Corporate Bond Fund	-2.1	-3.2	1.2	4.3	1.7	2.6	3.4	2.2	1.1	6.1	5.7	0.4
Alcentra Direct Lending	1.3	2.3	-1.0	8.0	9.5	-1.4	n/a	n/a	n/a	7.5	9.5	-1.9
Partners Group MAC 2015	-2.0	1.4	-3.4	1.5	5.9	-4.1	n/a	n/a	n/a	3.2	5.1	-1.8
Partners Group MAC 2017	-3.4	1.4	-4.8	0.7	5.9	-4.9	n/a	n/a	n/a	2.0	5.1	-2.9
Partners Group MAC V	-7.8	1.4	-9.1	n/a	n/a	n/a	n/a	n/a	n/a	-7.1	3.7	-10.4
IFM Global Infrastructure	-2.5	2.4	-4.8	16.7	10.0	6.1	n/a	n/a	n/a	13.7	10.0	3.4
Total	-13.4	-9.4	-4.4	-5.7	-2.5	-3.3	0.6	2.8	-2.2	4.6	6.3	-1.6

3.2 Market Value of the Fund

The following chart shows the quarterly movements in the market value of the investments over the last five years to 31 March 2020.



Investment values recorded steady rises throughout the above five-year period until the first quarter of 2020, when government actions globally to stop the spread of Covid-19 virus had the impact of reducing economic activity and creating uncertainty in investment markets. The tables above record a loss of 13.4% in that quarter. Markets have recovered much of these losses in Q2, 2020 as governments start to relax the restrictions on people movement. The Fund returned 10.5% in quarter 2, 2020 (1.4% in excess of benchmark), and ended with a valuation of £1,213.8 million as at 30 June 2020.

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 and the achievement of service standards in the year to 31 March 2020.

Case Group	Local Pensions Board - Agree LGPS Performance Targets	Achieved %
Change of details	Process change to member within 10 days of receipt of request	94.66
Enquiries	Provide response to member or beneficiary within 10 days of receipt of correspondence	82.73
Request for Estimate of Benefits	Issue benefit quotation within 10 days of receipt of request	78.32
	Provide statement of Preserved Benefits within 20 days of notification of exit	
Leavers on Termination / Opting out	Process payment of refund of contributions within 10 days of receipt of notification	66.84
	Process payment of transfer value within 10 days of receipt of all relevant documentation	
New Starter	Creation of system record within 4 days of receipt of notification	90.18
Retirements	Issue retirement quote to members 7 months prior to their normal retirement date	69.09
	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	
Transfers In	Issue request for transfer details to previous scheme within 5 days of receipt of new starter details	80.03
	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 value in within 7 days of receipt of transfer value payment	
Transfers Out	Provide details of deferred pension and transfer value within 20 days of receipt of request from new scheme	79.00
	Process payment of transfer value within 10 days of member's confirmation to proceed	
Bereavements	Issue initial correspondence to beneficiary following notification of death within 5 days	73.45
	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	
Other	Issue appropriate documentation / response to requests for information within 10 days of receipt of request	88.86

The Council has appointed Bradford City Council (as administrating authority of the West Yorkshire Pension Fund "WYPF") to undertake the administration of the pension scheme from 1st November 2020. Planning for the transition has been underway since Q1, 2020 and both employers and staff have been informed of the impact of the change. WYPF were appointed following a tender process on the basis of their record of providing high quality pension administration to three LGPS schemes. The switch will provide enhanced service for both staff and employers.

3.4 Membership of the Pension Fund 2019/20

	31 March 2020	31 March 2019
Number of employers with active members	56	61
Number of employees in scheme		
London Borough of Barnet	4,880	5,166
Other employers	2,948	3,464
Total	7,828	8,630
Number of pensioners		
London Borough of Barnet	6,166	5,896
Other employers	2,152	2,186
Total	8,318	8,082
Deferred pensioners		
London Borough of Barnet	8,145	7,189
Other employers	3,550	3,614
Total	11,695	10,803
Total number of members in pension scheme	27,841	27,515

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

Absolutely Catering	Caterlink	Mears Group
Allied Healthcare	Churchill Catering	NSL Ltd
Barnet Education Arts Trust	Greenwich Leisure	OCS Group UK Ltd
Cambridge Education	Hartwig	Optivo (Viridian Housing)
Capita CSG	Hestia	
Capita RE	ISS	

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	Saracens High
Alternative Provision (Oak Hill)	Grasvenor Avenue Infant	St Andrew the Apostle School
Archer Academy	Hasmonean High School	Summerside School
Ark Pioneer	Hendon School	Totteridge Academy
Ashmole Academy	Henrietta Barnett School	Whitefield Trust School
Barnet & Southgate College	Hyde School	Woodhouse College Academy
Barnet Homes	Independent Jewish Day School	Wren Academy
Bishop Douglass School	Kisharon Academy	Your Choice Barnet
Broadfields Academy	London Borough of Barnet	
Childs Hill	London Academy	
Christ College	Middlesex University	
Claremont Primary School	Mill Hill County High School	
Compton Academy	Parkfield Primary School	
Copthall Academy	Queen Elizabeth's Boys' School	
Deansbrook Junior Academy	Queen Elizabeth's Girls' School	
East Barnet Academy	Sacks Morasha	

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 2019/20

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 London Borough of Barnet Council, 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 February 2020. 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 have a sufficiently high likelihood of achieving the funding target over 17 years. 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 at least a 70% likelihood that the Fund will achieve the funding target over 17 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 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £1,152 million, were sufficient to meet 86% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £190 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 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 2019 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 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.4%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

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 2018 model, an allowance for smoothing of recent mortality experience and a 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	21.7years	24.0 years
Future Pensioners*	22.9 years	25.7 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Gemma Sefton FFA

11 May 2020

For and on behalf of Hymans Robertson LLP

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

Opinion on pension fund financial statements

We have audited the pension fund financial statements of London Borough of Barnet Pension Fund ("the pension fund") for the year ended 31 March 2020 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion on the financial statements

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

Conclusions relating to going concern

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

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

Other information

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

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

we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

Statement of Responsibilities

Pension Fund Responsibilities

The London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund is required to:

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

The Director of Finance and S151 Officer Responsibilities

The Director of Finance and Section 151 Officer is responsible for the preparation of the London Borough of Barnet Pension Fund's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Director of Finance and Section 151 Officer has:

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

Director of Finance & S151 Officer Responsibilities

I certify that the Pension Fund's Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Pension Fund at 31 March 2020 (the balance sheet) and its income and expenditure for the year ended 31 March 2020.

Anisa Darr (CPFA)
Director of Finance and Section 151 Officer

Date

Chairman of Pension Fund Committee Certificate

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

Councillor Mark Shooter,
Chairman, Pension Fund Committee

Date