



# **Pension Fund Statement of Accounts**

**for the year ended**

**31 March 2015**

# Pension Fund Statement of Responsibilities

## The Authority's Responsibilities

The Authority is required to:

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

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of Barnet Council's Pension Fund Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

## Certification of Accounts

I certify that the Pension Fund Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council Pension Fund at 31 March 2015 and its income and expenditure for the year then ended.



29. 9. 2015.

John Hooton, Chief Operating Officer and Director of Finance (Section 151 Officer)

**Approval of Accounts** In accordance with the Accounts and Audit (England) Regulations 2011, I certify that the Statement of Accounts was approved by the Pension Fund Committee.



29. 9. 2015.

Councillor Mark Shooter, Chair of Pension Fund Committee

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

We have audited the pension fund financial statements of the London Borough of Barnet for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Pension 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 2014/15.

This report is made solely to the members of the London Borough of Barnet, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Operating Officer and Director of Finance and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Operating Officer and Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which include 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Operating Officer and Director of Finance; and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by



us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the pension fund financial statements**

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 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

**Susan M Exton**

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

29 September 2015

## Pension Fund Account

	Note	2014/15 £'000	2013/14 £'000
<b>Contributions and Benefits</b>			
Contributions Receivable	4	54,489	52,207
Transfer in	5	1,391	2,591
Other income		12	24
		<b>55,892</b>	54,822
Benefits Payable Account	6	46,385	44,874
Payments to and on behalf of Leavers	7	2,593	3,818
Administrative Expenses	8	1,889	1,088
		<b>50,867</b>	49,780
<b>Net additions from dealings with members</b>		<b>5,025</b>	5,042
<b>Return on investments</b>			
Investment income	9	29	58
Change in market value of investments	10	92,163	27,963
Investment management expenses	12	(2,625)	(1,620)
<b>Net returns on investments</b>		<b>89,567</b>	26,402
<b>Net increase in the fund during the year</b>		<b>94,592</b>	31,444

## Net Assets of the Scheme

	2014/15 £'000	2013/14 £'000
At 1 April	829,782	798,337
At 31 March	<b>924,374</b>	829,782

## Net Assets Statement

	Note	2014/15 £'000	2013/14 £'000
Investment assets	10	911,724	819,561
Current assets	13	18,398	12,990
Current liabilities	14	(5,748)	(2,769)
		<b>924,374</b>	829,782

## Notes to the Pension Fund Accounts for the year ended 31 March 2015

### 1. Introduction

The London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by the London Borough of Barnet (LBB) and the Council is the reporting entity for the Fund.

The day to day administration of the fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Operating Officer and Director of Finance of the Council.

Further details of the management, operation and investment objectives of the fund are provided in the Fund's Annual Report for 2014/15, the Actuary's report (contained in Appendix 2 to these accounts), the Superannuation Act 1972 and the LGPS regulations which provide the underlying statutory powers underpinning the scheme.

#### General

The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to former employees of LBB and those bodies admitted to the Fund referred to as "members". The benefits include not only retirement pensions, but also widows pensions, death grants and lump sum payments.

The Fund is financed by contributions from members, employees and the interest and dividends from the Fund's investments. 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.

The Funds accounts provide information on the financial position, investment performance and risk showing the results of the Council's stewardship in managing the resources entrusted to it. The fund is overseen by the Pension Fund Committee which is specifically set up as a committee of the London Borough of Barnet Council and has authority under the Council's constitution to approve the Pension Fund Annual Report and Pension Fund Statement of Accounts.

#### Membership

Membership of the LGPS is voluntary and employees including non-teaching staff are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements (except teachers, who have a separate scheme). Organisations participating in the Fund are set out below and are classed as admitted and scheduled bodies:

#### **Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation; these include organisations undertaking a local authority function following the outsourcing of that service:**

BEAT (Barnet Education Arts Trust)	Ridge Crest Cleaning
Birkins - St James Sch	Hartwig
Blue 9 Security Ltd	
Capita CSG	
Capita RE	
Fremantle Trust (2)	
Greenwich Leisure	
Housing 21 (2)	
Mears Group	
NSL Ltd	
OCS Group UK Ltd	
Viridian Housing	



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

Barnet Voluntary Service Council  
Enterprise Cleaning

Barnet MENCAP  
KGB Cleaning Services Ltd

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

Alma Primary  
Archer Academy  
Barnet & Southgate College  
Barnet Homes  
Barnfield School  
Bishop Douglass School  
Broadfields Academy  
LB Barnet  
Christ Church  
Christ College  
Compton School (Academy)  
Cophall School (Academy)  
Danegrove School  
Deansbrook Junior (Academy)  
Dollis Junior  
East Barnet Academy  
Etz Chaim Jewish Primary  
Fairway School  
Finchley Catholic School  
Friern Barnet School  
Gravesnor Avenue Primary  
(Academy)  
Hasmonean High  
Hendon School  
Henrietta Barnett School (Academy)  
Independent Jewish Day School

London Academy  
Mapledown School  
Mathilda Marks  
Menorah Foundation School  
Middlesex University  
Mill Hill County High School  
Monkfrith School  
Osidge Primary School  
Parkfield Primary School  
Queen Elizabeth Boys  
Queen Elizabeth Girls  
Rimon Jewish Primary  
Rosh Pinah  
St James' Catholic High School  
St John's & St Mary's Primary  
St Michael's Grammar School  
St. Andrew the Apostle Secondary  
The Hyde  
Totteridge Academy, The  
Trust School Academy  
Underhill Infant  
Whitefield School  
Woodhouse College  
Woodhouse College Academy  
Wren Academy  
Your Choice Barnet Ltd

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 increased during the year from 7,802 to 7,880 at 31 March 2015\*. During the same period the number of pensioners increased from 6,772 to 7,292 and the number of deferred pensioners increased from 8,427 to 8,736.

\*The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2015; including the comparative figures. An analysis of membership movement in the year is provided in note 20 of these accounts.

A government scheme supplies teachers' pensions and as such 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**

#### **Accruals Concept**

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 17 and these financial statements should be read in conjunction with them.

### **Financial Assets**

Financial assets 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 2015.
- b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2015.
- 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 2015.
- 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 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. The fund does not participate in stock lending arrangements.



## Administration Expenses

Administration expenses include the recharge from the London Borough of Barnet for administration, and processing which includes the cost of pension administration provided by Capita Employee Benefits and financial administration from Capita Customer Support Group.

## 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.

## 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.

## Cash and cash equivalents accounting policy

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

## Related party disclosure

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the London Borough of Barnet Pension Fund.

## 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. Assumptions made about the future and other major sources of uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However as balances cannot be determined with certainty, actual result could be materially different as follows:

#### Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are protected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied. (See Note 16).

### 4. Contributions Receivable

	2014/15 £'000	2013/14 £'000
<b>Employers</b>		
Council	23,274	22,759
Scheduled bodies	17,792	16,493
Admitted bodies	3,009	2,930
	<b>44,075</b>	<b>42,182</b>
<b>Members</b>		
Council	4,799	5,110
Scheduled bodies	4,293	3,988
Admitted bodies	1,322	927
	<b>10,414</b>	<b>10,025</b>
<b>Total Contributions</b>	<b>54,489</b>	<b>52,207</b>

### 5. Transfers In

2014/15 £'000	2013/14 £'000
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Individual transfers in from other schemes	<b>1,391</b>	2,591				
<b>6. Benefits Payable</b>						
	<b>2014/15</b>	2013/14				
	<b>£'000</b>	£'000				
Pensions	<b>40,016</b>	38,106				
Commutations and lump sum payments	<b>5,577</b>	5,783				
Lump sum death benefits	<b>792</b>	985				
	<b>46,385</b>	44,874				
<b>7. Payments to and on Account of Leavers</b>						
	<b>2014/15</b>	2013/14				
	<b>£'000</b>	£'000				
Refunds to members leaving service	<b>56</b>	8				
Individual transfers to other schemes	<b>2,537</b>	3,810				
	<b>2,593</b>	3,818				
<b>8. Administrative Expenses</b>						
	<b>2014/15</b>	2013/14				
	<b>£'000</b>	£'000				
Administration and processing	<b>917</b>	957				
Actuarial fees	<b>51</b>	100				
Audit Fees	<b>21</b>	31				
Provision for Bad Debt	<b>900</b>	-				
	<b>1,889</b>	1,088				
<b>9. Investment Income</b>						
	<b>2014/15</b>	2013/14				
	<b>£'000</b>	£'000				
Interest on cash deposits	<b>29</b>	25				
Other income	<b>0</b>	33				
Total investment income	<b>29</b>	58				
<b>10. Investments</b>						
<b>2014/15</b>	Value at	<b>Purchases</b>	<b>Sales</b>	<b>Unrealis-</b>	<b>Change</b>	<b>Value at</b>
	1/4/2014	<b>at Cost</b>	<b>Proceeds</b>	<b>-ed loss</b>	<b>in Market</b>	<b>31/3/2015</b>
	£'000	£'000	£'000	<b>(gain)</b>	<b>Value</b>	£'000
				<b>£'000</b>	<b>£'000</b>	
Pooled investment vehicles	<b>818,587</b>	<b>5,640</b>	<b>(5,742)</b>	<b>(84)</b>	<b>92,163</b>	<b>910,564</b>
	<b>818,587</b>	<b>5,640</b>	<b>(5,742)</b>	<b>(84)</b>	<b>92,163</b>	<b>910,564</b>
Cash Deposits	<b>974</b>					<b>1,160</b>
	<b>819,561</b>					<b>911,724</b>



2013/14	Value at 1/4/2013	Purchases at Cost	Sales Proceeds	Unrealis- ed loss (gain)	Change in Market Value	Value at 31/3/2014
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	790,106	6,887	(6,300)	(68)	27,963	818,587
	<b>790,106</b>	<b>6,887</b>	<b>(6,300)</b>	<b>(68)</b>	<b>27,963</b>	<b>818,587</b>
Cash Deposits	1,492					974
	<b>791,598</b>					<b>819,561</b>

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 as any income attributed to the unitised funds are reinvested and accounted for as a change in market value as opposed to income.

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 £911.724 million. This was split as follows:

Investment Portfolio	2014/15	
	£'000	%
Schroder Investment Management	416,520	45.7
Newton Investment Management	423,456	46.4
Legal & General	71,748	7.9
	<b>911,724</b>	<b>100.0</b>

### Major Investment

The fund investments are all held in pooled funds.

Pooled investment Vehicles	2014/15	2013/14
	£'000	£'000
UK Managed funds	838,816	757,747
UK Unit Trusts	71,748	60,840
	<b>910,564</b>	<b>818,587</b>
<b>Cash Deposits</b>		
Sterling	1,160	974
	<b>911,724</b>	<b>819,561</b>

The following investments represent more than 5% of the net assets of the scheme:

£'000	2013/14 as % of investment assets		£'000	2014/15 as % of investment assets
257,787	31.45	Newton Real Return Fund	275,693	30.24
120,499	14.7	Newton Long Corporate Bond Fund	139,977	15.35
256,539	31.3	Schroder Life Diversified Growth Fund	283,658	31.11
118,081	14.41	Schroder All Maturities Corporate Bond Fund	132,131	14.49
43,305	5.28	Legal and General Index Linked Tracker Fund	51,958	5.70
<u>796,211</u>	<u>97.14</u>		<u>883,417</u>	<u>96.89</u>

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

	Long Corporate Bond	Long Gilt	Index- Linked Gilt	Global Dynamic Bond	Real Return
<b>Newton as at 31 March 2015</b>					
<b>EQUITIES</b>					
UK	-	-	-	-	11.76
North America	-	-	-	-	15.79
Europe ex UK	-	-	-	-	19.23
Japan	-	-	-	-	3.51
Asia ex Japan	-	-	-	0.11	2.49
Other	-	-	-	-	1.92
<b>Total Equities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.11</b>	<b>54.7</b>
<b>FIXED INTEREST</b>					
UK Gilts	-	91.03	0.39	1.66	9.74
UK Index Linked Gilts	-	0.42	89.85	3.38	-
UK Corporate Bonds	60.18	1.76	3.17	19.21	1.89
Overseas Government Bonds	-	2.94	5.58	24.99	15.49
Overseas Corporate Bonds	38.10	0.61	-	47.79	4.98
Overseas Index Linked Corporate Bonds	-	-	-	1.97	0.44
<b>Total Fixed Interest</b>	<b>98.28</b>	<b>96.76</b>	<b>98.99</b>	<b>99.00</b>	<b>32.54</b>
<b>OTHER ASSETS</b>					
Ishares	-	-	-	2.01	-
Commodities	-	-	-	-	4.59
Derivatives	-	-	-	(12.22)	(14.96)
<b>Total Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10.21)</b>	<b>(10.37)</b>
Cash	1.72	3.24	1.01	11.1	23.13
<b>Total Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Schroder as at 31 March 2015

<b>Diversified Growth Fund</b>	<b>Schroder All Maturities Corporate Bond</b>
<b>Equities</b>	
Schroder QEP Global Dynamic Blend Portfolio	19.10
Shareholder Focus Basket	4.30
Passive Equities	35.00
	58.40
<b>Commodities</b>	
Schroder ISF Global Energy	0.60
	0.60
<b>High Yield Debt</b>	
Schroder High Yield Portfolio	3.10
	3.10
<b>Emerging Market Bonds</b>	
Stone Harbor Emerging Debt Fund	0.10
	0.10
<b>Property</b>	
Schroder UK Property Fund	3.30
	3.30
<b>Absolute Return</b>	
Schroder ISF Emerging Market Debt	5.80
Schroder GAIA Sirius US Equity	2.20
Bespoke Hedge Fund Portfolio	0.80
Diversified Trend Strategy	2.90
Gam Star Global Rates	1.00
Henderson UK Absolute Return Fund	1.00
Brevan Howard Macro	0.80
	14.50
<b>Infrastructure</b>	
John Laing Infrastructure Limited	1.40
International Public Partnerships Ltd	1.10
HICL Infrastructure Company Limited	0.70
Bilfinger Berger Global infrastructure	0.50
	3.70



## Other Assets

Private Equity	0.70	
Asset Backed Securities Portfolio	2.90	
RWC Global Convertibles Fund	1.90	
Oaktree Global Convertibles Fund	1.10	
Insurance-Linked Securities	3.00	
Cash	3.60	
Securitised		25.10
Government Related	3.10	10.05
Corporate		58.21
Cash		6.64
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## 11. 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.

2014/15	2013/14 b/f £'000	Contributions £'000	Income £'000	Expenditure £'000	2014/15 c/f £'000
<b>AVC Investments</b>					
<b>Aviva /Norwich Union (amended)</b>	<b>551</b>	<b>11</b>	<b>20</b>	<b>-</b>	<b>582</b>
<b>Prudential</b>					
With Profits	559	74	28	(80)	581
Deposit	390	83	2	(56)	419
Unit Linked	763	141	123	(58)	969
<b>Total Prudential AVCs</b>	<b>1,712</b>	<b>298</b>	<b>153</b>	<b>(194)</b>	<b>1,969</b>
<b>Total AVC's</b>	<b>2,263</b>	<b>309</b>	<b>173</b>	<b>(194)</b>	<b>2,551</b>
2013/14	2012/13	Contributions	Income	Expenditure	2013/14
AVC Investments	£'000	£'000	£'000	£'000	£'000
Aviva /Norwich Union (amended)	651	14	18		683
Prudential					
With Profits	532	79	25	(77)	559
Deposit	325	82	2	(19)	390
Unit Linked	665	120	26	(48)	763

Total Prudential AVCs	1,522	281	53	(144)	1,712
Total AVC's	2,173	295	71	(144)	2,395

*The Additional Voluntary contributions in respect of 2014/15 and 2013-14 are revised to reflect updated termination figures.*

## 12. Investment Management Expenses

	2014/15 £'000	2013/14 £'000
Administration, management and custody	2,573	1,547
Performance Measurement Services	11	8
Investment advisor fees	41	65
	<b>2,625</b>	<b>1,620</b>

## 13. Current Assets

	2014/15 £'000	2013/14 £'000
Contributions due from employers in respect of		
Employer Strain contributions	5,808	1,292
Employer contributions	3,121	354
Member contributions	1,000	
Sundry Debtors	1,201	2,180
Cash Balance	8,168	9,164
Bad Debt Provision	(900)	-
	<b>18,398</b>	<b>12,990</b>

## 14. Current Liabilities

	2014/15 £'000	2013/14 £'000
Unpaid Benefits	65	369
Accrued Expenses	5,683	2,400
	<b>5,748</b>	<b>2,769</b>

## 15. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in July 2014 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:

<http://barnet.moderngov.co.uk/documents/s16640/Appendix%20A%20Statement%20of%20Investment%20Principles%20July%202014.pdf>

## 16. Related Party Transactions

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

	2014/15 £'000	2013/14 £'000
Human Resources	717	580
Accountancy Administration	173	342
Oversight and Governance	11	10
	<u>901</u>	<u>932</u>

The recharge from the London Borough of Barnet for administration, and processing includes the cost of pension administration provided by Capita Employee Benefits and financial administration and financial accounting from Capita Customer Support Group. Included in creditors is a liability for an intercompany bank transfer for £2.1 million (owed to the Council) at the end of the financial year.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)–(4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the London Borough of Barnet Pension Fund.

## 17. Actuarial Valuation

Barnett Waddingham LLP undertook the last formal triennial actuarial valuation of the fund as at 31 March 2013, 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 funding level at 31 March 2013 was 79%. The common contribution rate from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2017 is 24.0% of pensionable pay, This is the average required employer contribution to restore the funding position to 100% over the next 15 years.

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	2.8%
Future salary increases	4.6%
Price inflation	3.5%
Risk adjusted discount rate	6.1%

The 2013 actuarial valuation actuarially assessed the value of the Fund's assets as, being sufficient to meet 79% of the Fund's liabilities. This corresponded to a deficit of £211 million. The latest valuation as at 31<sup>st</sup> March 2015 as per the requirements of IAS26 is attached. The figures below relate to the IAS 26 valuation as at 31<sup>st</sup> March 2015, and are given for comparison;

Assumption	Rate
Assumed retail price inflation (RPI)	3.1%
Assumed customer price inflation (CPI)	2.3%



Salary increases	4.1%
Pension increases	2.3%
Discount rate	3.2%

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 18 March 2014. The next actuarial valuation will be based on the value of the fund as at 31 March 2016.

The common rate of employer contribution set by the actuary was

## 18. 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.

<b>31 March 2015</b>	<b>Designated as fair value through profit and loss £'000</b>	<b>Loans and receivables £'000</b>	<b>Financial liabilities at amortised cost £'000</b>
<b>Financial Assets</b>			
Pooled Investments	910,564	-	-
Pooled Property	-	-	-
Cash Deposits	-	8,159	-
Investment income due	-	-	-
Debtors	-	10,239	-
<b>Financial Liabilities</b>			
Creditors	-	-	(5,748)
	<b>910,564</b>	<b>18,398</b>	<b>(5,748)</b>
<b>31 March 2014</b>			
<b>Financial Assets</b>			
Pooled Investments	818,587	-	-
Pooled Property	-	10,138	-
Cash Deposits	-	-	-
Investment income due	-	-	-
Debtors	-	2,180	-
<b>Financial Liabilities</b>			
Creditors	-	-	(2,349)
	<b>818,587</b>	<b>12,318</b>	<b>(2,349)</b>

## 19. 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.

## 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.

## 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 its 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 2015 working capital was held in the Pension Fund Bank account with Natwest bank and, in a call account with the Bank of Scotland, in accordance with the Council's Treasury management strategy credit rating criteria. Pension Administration working capital was held in a bank account operated by Capita Employee Benefits (CEB) on behalf of the Pension Fund.

	Long Term Credit Rating	Source	Holding 31/3/2015 £'000	Holding 31/3/2014 £'000
Schroder Group	A-1	Moody's		
JP Morgan (Schroder Custodian)	A-1	Standard and Poors	415,520	375,269
Newton –Bank of New York Mellon (Newton Custodian)	A-1	Standard and Poors	423,456	383,452
Bank of Scotland	A1	Moody's	4,508	8,779
Co operative Bank	BBB+	Fitch		155
Natwest Bank	BBB+	Fitch	212	
Royal Bank of Scotland CEB	BBB+	Fitch	3,367	

## Liquidity Risk

Liquidity risk is the risk that the Pension Fund will not be able to meet 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 cash flow 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.

### Market risk

Market risk is the risk that the fair value or future cash flows 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.

### 2014/15

Asset Type	Market Value 31.3.2015 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Pooled Investments	910,564	10.0	1,001,620	819,508
Cash Deposits	8,159	1.0	8,241	8,077

### 2013/14

Asset Type	Market Value 31.3.2014 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Pooled Investments	818,587	10.0	900,445	736,728
Cash Deposits	9,164	1.0	9,255	9,072

### 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.

### 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.



## 20. Membership of the Pension Fund

	2014/15
<b>Employees</b>	
Number of Employees at 31/03/2014	7,802
Employees joining during the year	581
	<u>8,383</u>
Members leaving during the year:	
Normal retirements	124
Ill-health retirements	0
Deaths in service	0
Refunds of Contributions	7
Deferred pensions	372
	<u>(503)</u>
<b>Number of Employees at end of year</b>	<b><u>7,880</u></b>
<b>Pensioners</b>	
Number of Pensioners at start of year	6,727
New pensioners during the year:	
Normal retirements (508 Enhanced Teachers not included in previous data)	632
Ill-health retirements	3
Dependants' pensions	32
Deferred pensions becoming payable	112
	<u>779</u>
	7,506
Deaths/dependants ceasing to be eligible	<u>(214)</u>
<b>Number of Pensioners at end of year</b>	<b><u>7,292</u></b>
<b>Deferred Pensioners</b>	
Number of Deferred Pensioners at start of year	8,427
New Deferred Pensioners at start of year	372
Backdated Deferred Pensioners	134
	<u>8,933</u>
Deferred Pensioners leaving the fund during the year	
Normal retirements	112
Ill-health retirements	3
Transferred out	76
Back to active status	0
Deaths	6
	<u>(197)</u>
<b>Number of Deferred Pensioners at end of year</b>	<b><u>8,736</u></b>
<b>Total Membership at 31 March 2015</b>	<b><u>23,908</u></b>

## 21. Events after the Balance Sheet date

Since the Balance Sheet date of 31 March 2015, there have been no post balance sheet events to report.

# **London Borough of Barnet Pension Fund**

Pension accounting disclosure as at 31 March 2015  
Prepared in accordance with IAS26

**Barnett Waddingham**  
Public Sector Consulting

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## Introduction

We have been instructed by the London Borough of Barnet, the administering authority to the London Borough of Barnet Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2015.

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 are prepared in accordance with our understanding of 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 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014, with various protections in place for those members in the scheme before the changes took effect.

## Valuation data

### Data sources

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

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2015;
- • Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2013, 31 March 2014 and 31 March 2015, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2015; and
- Details of any new early retirements for the period to 31 March 2015 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. 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 2013.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	6,702	141,943	47
Deferred pensioners	8,992	14,264	46
Pensioners	6,738	33,831	71

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 11%. 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 2015 is as follows:

Employer asset share - bid value	31 Mar 2015		31 Mar 2014	
	£000s	%	£000s	%
Equities	613,735	67%	563,734	68%
Gilts	n/a	n/a	0	
Other bonds	296,829	32%	256,996	31%
Cash	9,339	1%	8,290	1%
<b>Total</b>	<b>919,903</b>	<b>100%</b>	<b>829,020</b>	<b>100%</b>

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2015 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 Fund.



# Actuarial methods and assumptions

## Valuation approach

To assess the value of the Fund's liabilities at 31 March 2015, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with 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 Fund 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 2015 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of 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 to be 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 most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2015	31 Mar 2014
Retiring today		
Males	22.1	22.0
Females	24.4	24.3
Retiring in 20 years		
Males	24.2	24.1
Females	26.8	26.7

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

## Financial assumptions

The financial assumptions used to calculate the results in Section 0 and the Appendices are as follows:

Assumptions as at	31 Mar 2015		31 Mar 2014	
	% p.a.	Real	% p.a.	Real
RPI increases	3.1%	-	3.5%	-
CPI increases	2.3%	-0.8%	2.7%	-0.8%
Salary increases	4.1%	1.0%	4.5%	1.0%
Pension increases	2.3%	-0.8%	2.7%	-0.8%
Discount rate	3.2%	0.1%	4.4%	0.9%

These assumptions are set with reference to market conditions at 31 March 2015.

Our estimate of the duration of the Fund's liabilities is 17 years.

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (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 (BoE), specifically the 17 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.1% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% p.a. below RPI i.e. 2.3% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salaries are then assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

## Results and disclosures

We estimate that the net liability as at 31 March 2015 is a liability of £681,268,000.

The results of our calculations for the year ended 31 March 2015 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2015; and
- Appendix 2 details a reconciliation of assets and liabilities during the year.

The figures presented in this report are prepared only for the purposes of IAS19. 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.

A handwritten signature in black ink, appearing to read 'M. Stephenson'.

**Melanie Stephenson FIA**  
**Actuary**



## Appendix 1 Statement of financial position as at 31 March 2015

Net pension asset as at	31 Mar 2015	31 Mar 2014	31 Mar 2013
	£000s	£000s	£000s
Present value of the defined benefit obligation	1,601,171	1,344,574	1,305,450
Fair value of Fund assets (bid value)	919,903	829,020	801,693
<b>Net liability in balance sheet</b>	<b>681,268</b>	<b>515,554</b>	<b>503,757</b>

\*Present value of funded obligation consists of £1,443,919,000 in respect of vested obligation and £157,252,000 in respect of non-vested obligation.

## Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2015

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to	Year to
	31 Mar 2015	31 Mar 2014
	£000s	£000s
<b>Opening defined benefit obligation</b>	<b>1,344,574</b>	<b>1,305,450</b>
Current service cost	38,080	40,544
Interest cost	58,234	59,331
Change in financial assumptions	202,906	49,856
Change in demographic assumptions	-	(21,008)
Experience loss/(gain) on defined benefit obligation	-	(56,965)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(53,763)	(44,332)
Past service costs, including curtailments	-	1,671
Contributions by Scheme participants	11,140	10,027
Unfunded pension payments	-	-
<b>Closing defined benefit obligation</b>	<b>1,601,171</b>	<b>1,344,574</b>

