

The London Borough of Barnet Pension Fund

Annual Report

For the year ended 31 March 2013

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1. Trustee's Report

1.1 History of the Local Government Pension Scheme

In the public sector, the individual legal provisions covering many pension schemes were brought together under one Act of Parliament (The Superannuation Act 1972). This Act provides the framework that covers the Local Superannuation Act (1972). The regulations appoint major authorities, such as the London Borough of Barnet, to the role of “administering authorities” to manage the Scheme at a local level.

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

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

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

Employees and employers pay into the Fund to meet the cost of paying pensions at a later date. The Fund builds up assets at the same time as paying out pensions. Based on the assumptions of the actuary, there should be enough assets in the Fund to pay, on the day the employee retires, all potential future costs.

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

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

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

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.

We have, as allowed by law, postponed the automatic enrolment of our workers into the LGPS until 1 June 2013.

1.2 Administration of the London Borough of Barnet Pension Fund

The Council is the administering authority for the pension fund. The Pension Fund Committee is responsible for discharging the Council's leadership and strategic management responsibilities regarding the Pension Fund. The Pension Fund Committee is responsible for:

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

1.3 Management Structure

Administrating Authority

London Borough of Barnet

Pension Fund Committee Members

Chairman:	Mark Shooter
Vice-Chairman	John Marshall
Members:	Andreas Ioannidis
	Geoffrey Johnson
	Susette Palmer MA
	Daniel Seal
	Rowan Quigley Turner
Substitutes:	Geoff Cooke
	Monroe Palmer OBE, BA, FCA
	Jim Tierney

Officers

Andrew Travers, Interim Chief Executive
Chris Naylor, Chief Operating Officer
John Hooton, Deputy Chief Operating Officer
Iain Millar, Head of Treasury

Observers

John Burgess, Unison
David Woodcock, Middlesex University

Actuary

Barnett Waddingham

Investment Advisors

JLT Benefit Solutions (formally HSBC Actuaries and Consultants)

Auditor

Grant Thornton UK LLP

Performance Monitoring

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

Custodians

JP Morgan
The Bank of New York

Pensions Administration Manager

Hansha Patel

1. Investment Policy

The Council, through the Pension Fund Committee, is responsible for the investment of the fund's assets and agreeing the investment policy within the regulations covering local authority pension schemes. The responsibility for the day to day management of the fund's assets is delegated to investment managers who are regulated by the Financial Services Authority.

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

The Fund

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

Benchmark

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

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

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

Investment Ranges

There are statutory restrictions and parameters for investments as per the Local Government Pensions (Management and Investment of Funds) 1998 and subsequent amendments. The restrictions are detailed in part 11 (Schedule 1) of the LGPS (Management and Investment of Funds) Regulations 2009. Regulation 14(2) imposes limits on the proportion of fund money which may be invested in a

particular type of investment. Regulation 14(3) states that limits may be increased, to the up to the percentages specified in Column 2 of the table in Schedule 1 provided the requirements under regulation 15 have been satisfied.

The Authority, having satisfied the requirement of regulation 15, has increased the limits to the maximum allowed under Regulations 14(3) for investments listed at 9, 10, 11, and 12. The investment limits adopted by the London Borough of Barnet Pension Fund are detailed below.

Investment	Limits Adopted
2. Any single sub-underwriting contract	1%
3. All contributions to any single partnership	2%
4. All contributions to partnerships	5%
5. The sum of all loans and any deposits with – <ul style="list-style-type: none"> Any local authority, or Any body with power to issue a precept or requisition to a local authority can be required to contribute, or to the expenses of which a local authority can be required to contribute, which is an exempt person (within the meaning of the 2000 Act) in respect of accepting deposits as a result of an order made under section 38(1) of that Act 	10%
6. All investments in unlisted securities of companies	10%
7. Any single holding (but not if the investment is made by an investment manager, or the single holding is in unit or other shares of the investments subject to the trusts of any one unit trust scheme)	10%
8. All deposits with any single bank, institution or person (other than the National Savings Bank)	10%
9. All sub-underwriting contracts	15%
10. All investments in units or shares of the investments subject to the trusts of unit trust scheme managed by any one body (but see paragraph 3 below)	35%
11. 10. All investment in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body.	35%
12. All investments in unit or other shares of investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes constituted by those companies are managed by any one body (but see paragraph 3 below)	35%
13. Any single insurance contract	35%
14. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%

Independent Advisor

The Chief Operating Officer and Council Officers received investment advice from the independent advisor to the fund. The role of the advisor is to attend the quarterly and annual meetings of the Committee and to provide advice on the following:

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

Actuary

The actuary to the fund is Barnett Waddingham; the actuary's role is to place a value on the fund's accumulated pension promises. A formal valuation of the fund is required legally every three years; the last valuation of the fund took place as at the 31st of March 2010. The next valuation based on the value of the Fund as at 31 March 2013 will be published by the end of March 2014.

Custodian

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

Voting

The fund managers are instructed to proxy vote on behalf of the fund in accordance with the fund's corporate governance and proxy voting policy. Details of this policy can be found by using the link below.

http://www.barnet.gov.uk/downloads/download/144/statement_of_investment_principles_oct_2010

3 Management and Financial Performance of the fund for the Year 2012-2013

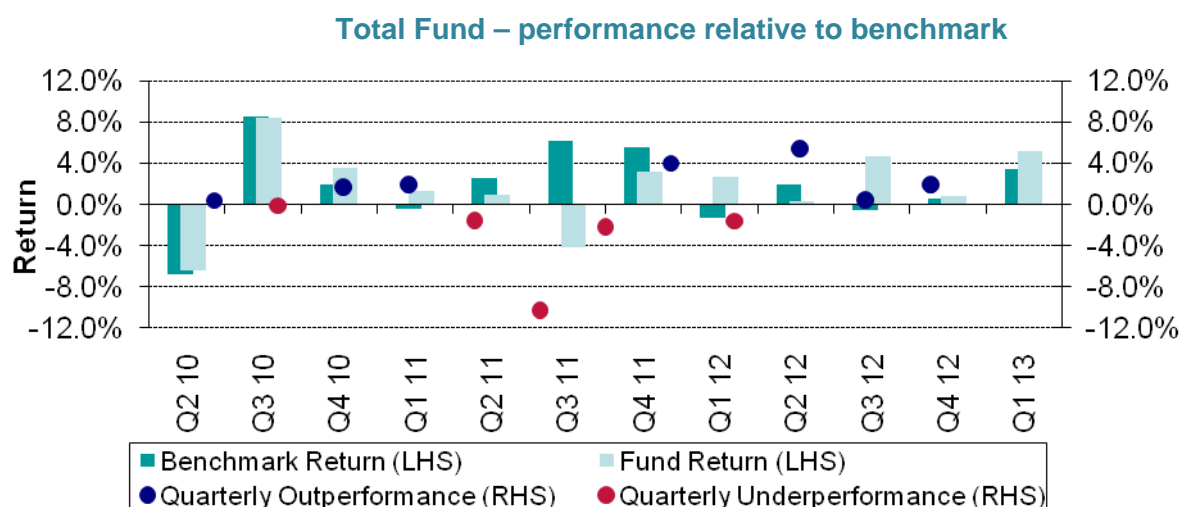
3.1 Fund Performance

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

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

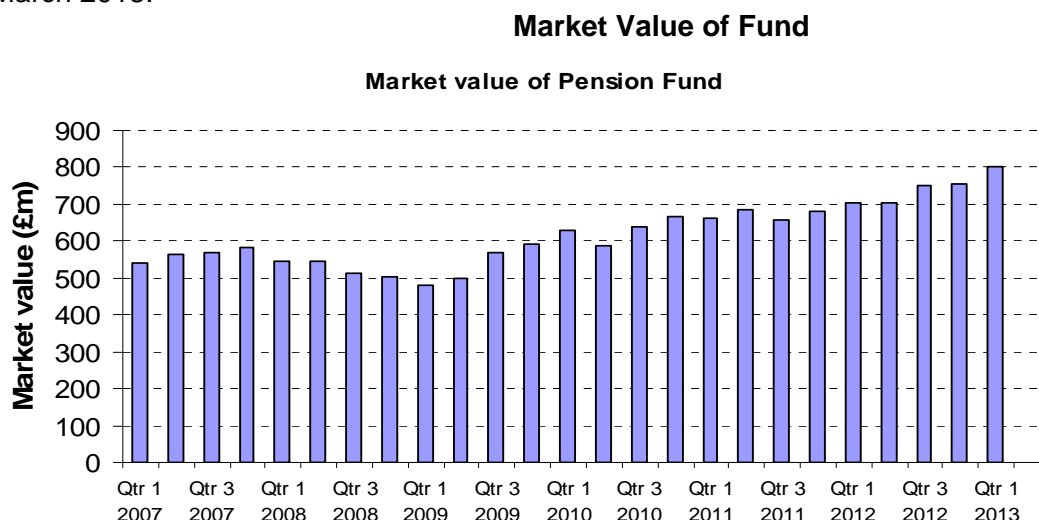
portfolios and is benchmarked against the Over 15 Year Gilts Index and Index Linked (Over 5 years) Index.

The chart below shows the fund's historical returns against the WM Universe and the new portfolio against the liability benchmark:



3.2 Market Value of the Fund

The following chart shows the movement in the market value of the fund from 1 January 2007 to 31 March 2013.



3.3 Investment Report

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

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

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

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

Over the 12 months to 31 March 2013, the total Scheme return (ex property) was 11.3% versus the liability benchmark return of 6.4%.

3.4 Scheme Administration

The administration of the Pension Scheme is provided by the Pensions Office. The performance table below shows the range of work undertaken.

Performance Indicator <i>(from point at which all required information has been received)</i>	Local Government Pension Committee Target	Authority Target	Achieved (%)
Letter detailing transfer in quote	10 days	10	82.0%
Letter detailing transfer out quote	10 days	10	92.0%
Process and pay refund	5 days	5	100.0%
Letter notifying estimate of retirement benefits	10 days	10	98.0%
Letter notifying actual retirement benefits	5 days	5	94.0%
Process and pay lump sum retirement grant	5 days	5	95.0%
Initial letter acknowledging death of active/deferred/pensioner member	5 days	5	93.0%
Letter notifying amount of dependant's benefits	5 days	5	92.0%
Calculate and notify deferred benefits	10 days	10	90.0%

Barnet Pension Fund Membership Movement Analysis 2012-13

2012/13

Employees

Number of Employees at start of year	6,790
Employees joining during the year	933
	<u>7,723</u>

Members leaving during the year:

Normal retirements	171	
Ill-health retirements	7	
Deaths in service	9	
Refunds of Contributions	16	
Deferred pensions	752	955
		<u>6,768</u>

Number of Employees at end of year

Pensioners

Number of Pensioners at start of year	6,585
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New pensioners during the year:

Normal retirements	107	
Ill-health retirements	7	
Dependants' pensions	56	
Deferred pensions becoming payable	112	282
		<u>6,867</u>

Deaths/dependants ceasing to be eligible

158

Number of Pensioners at end of year

6,709

Deferred Pensioners

Number of Deferred Pensioners at start of year	7,346
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New deferred pensioners during the year:

753

8,099

Deferred Pensioners leaving the fund during the year

Normal retirements	78	
Ill-health retirements	4	
Transferred	63	
Back to active status	2	
Deaths	-	147
		<u>147</u>

Number of Deferred Pensioners at end of year

7,952

Total Membership at 31 March 2013

21,429

4. Governance Compliance Statement

The Governance compliance statement for the Barnet Pension Fund is set out below

Principle	Compliance Status	Comment
Governance structure	Compliant	The decision-making structure is clearly defined.
Representation	Partial Compliance	Main employers and scheme members represented on the committee. However no individual representation for admitted bodies.
Selection/ role of lay members	Partial Compliant	Lay members observer role.
Voting	Partial Compliance	Voting rights have not been extended to employer and member representatives.
Training/Facility time/ Expenses	Compliant	There is a clear policy on training. The Fund pays all approved training courses for all members. The training plan reflects the needs of the committee agenda.
Meetings	Compliant	Formal meetings are held quarterly and lay members are included in the formal arrangements.
Access	Compliant	All members have equal access to meeting papers and advice.
Scope	Compliant	Pension Investment Panel terms of reference investment related
Publicity	Compliant	All statutory documents are made available to members.

5. Funding Strategy Statement

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

6. Statement of Investment Principles

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

7. Communication Policy Statement

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

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

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

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

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

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

- **Pensions Office:** for day-to-day contact and visits between the hours of 9am and 5pm. The Pension Office operates an open door policy for visitors such that pre-booked appointments are not required.
- **Correspondence:** the Fund utilises both surface mail and e-mail to receive and send correspondence.
- **Telephone:** The Pensions Office operates a telephone help line for Scheme members and is widely published in Scheme literature.
- **Website:** The Pensions Office has established an extensive website www.barnet.gov.uk/pensions containing Scheme details, Scheme literature etc. There are also links to other organisations relevant to Scheme members, e.g. employers, AVC providers, employers' organisations etc.
- **Member Self-Service:** the Pensions Office's website also allows Scheme members to log onto their own pensions record and automatically inform the Pensions Office electronically of any changes.
- **Annual Benefits:** An Annual Benefits Statement is sent direct to the home addresses of deferred members where a current address is known and is available online for active members.
- **Pensions Roadshows:** The Pensions Office also stages ad hoc Roadshows for Fund members particularly where there are changes to the Fund organisational changes which have pension implications.
- **Existence Validation – Pensioners Living Abroad:** The Pensions Office undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.
- **All Employer Meetings:** Periodical meetings are arranged for employers. Specifically this has been used as a mechanism for communicating major strategic issues, significant legislation and triennial valuation matters.

Comments

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

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Fax: 0870 889 6817

Email: pensions@barnet.gov.uk

Website: www.barnet.gov.uk/pensions

On behalf of the Pension Fund Committee

Councillor Mark Shooter
Chairman of the Pension Fund Committee
London Borough of Barnet Pension Fund

**Actuary's Statement
as at
31 March 2013**

Barnett Waddingham
Public Sector Consulting

Introduction

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

2010 Valuation

The results of the valuation were as follows

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

Valuation method

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

Contribution rates

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

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

Key Financial Assumptions

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

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

Asset valuation

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

Post Valuation Events – Changes in market conditions

Since March 2010, investment returns have been close to the assumptions made at the 2010 valuation. Liabilities will have increased slightly due to a slight decrease in the real discount rate underlying the valuation funding model.

It is likely that a greater allowance for future mortality improvements will be made at the 2013 valuation which will lower the funding level compared to adopting the mortality assumptions adopted in 2010. However we expect this may be offset by other changes such as allowing for changes made to the inflation indices by the Office for National Statistics.

There may also be other changes to the assumptions and methodology reflecting more recent experience and data that has become available.

The contribution rates resulting from the 2013 valuation will take effect from 1 April 2014 and will allow for any changes to the benefits in the LGPS from that date.



Alison Hamilton FFA

Partner

23 April 2013



Anna Short FFA

Associate

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of London Borough of Barnet for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of London Borough of Barnet in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Fund'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 auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Operating Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

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

Matters on which we report by exception

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

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, 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 2012/13.

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

14 August 2013

Pension Fund Account

	Note	2011/12 £000's	2012/13 £000's
Contributions and Benefits			
Contributions Receivable	3	50,064	53,999
Transfers in	4	5,294	2,670
Other income		2	-
		<u>55,360</u>	<u>56,669</u>
Benefits Payable Account	5	(38,584)	43,648
Payments to and on behalf of Leavers	6	(4,810)	2,636
Administrative Expenses	7	(1,106)	1,023
		<u>(44,500)</u>	<u>47,307</u>
Net additions from dealings with members		10,860	9,362
Return on investments			
Investment income	8	1,273	68
Change in market value of investments	9	17,079	78,273
Investment management expenses	11	(1,920)	(1,851)
Net returns on investments		<u>16,432</u>	<u>76,490</u>
Net increase in the fund during the year		<u>27,292</u>	<u>85,852</u>

Net Assets of the Scheme

	2011/12 £000's	2012/13 £000's
At 1 April	<u>685,193</u>	<u>712,485</u>
At 31 March	<u>712,485</u>	<u>798,337</u>

Net Assets Statement

	Note	2011/12 £000's	2012/13 £000's
Investment assets	9	703,630	791,598
Current assets	12	11,204	13,788
Current liabilities	13	(2,349)	(7,049)
		<u>712,485</u>	<u>798,337</u>

Notes to the Pension Fund Accounts for the year ended 31 March 013

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 Office 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 2012/13, 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 and 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 Fund's 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.

Membership

Membership of the LGPS is voluntary and employees 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:

(employers with active members)

Fremantle Trust
Greenwich Leisure
Birkins
Servite/Viridian
Go Plant Ltd
Mears Group
NSL Ltd

London Care
Personnel Care Bank
Blue 9 Security Ltd
Birkin and St James Catholic
Housing 21 (2)
The Music Service (BEAT)

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

Barnet Voluntary Service Council
Enterprise Cleaning

Barnet MENCAP
KGB

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

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

Connaught Partnership, previously an Admitted Body, went into administration with effect from 31/08/2010. A pension fund deficit of £1.492 million has been calculated by the fund actuaries. The Council's legal team are currently liaising with Connaught's Administrators (KPMG) for the recovery of these monies. KPMG have confirmed the pension deficit is classed as unsecured, non-preferential debt. The Actuary is including the impact of the Connaught Pension deficit on the employer contribution rate in the actuarial valuation of the fund as at 31 March 2013.

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

The number of employees contributing to the fund decreased during the year from 6,790 to 6,768 at 31 March 2013*. During the same period the number of pensioners increased from 6,585 to 6,709 and the number of deferred pensioners increased from 7,346 to 7,952.

*The numbers of members have been extracted from the underlying membership records in the live system as at 11 May 2013; including the comparative figures A detailed analysis of membership movement in the year is provided in note 19 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

The financial statements are prepared on an accruals basis except in the case of transfer values, which are debited or credited in the year of payment or receipt in accordance with recommended

practice. Investment income is taken into account where dividends are declared but not paid at the financial year end.

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

Investments

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

- a) Listed securities and securities on the Unlisted Securities Market (USM) are determined by Stock Exchange current bid prices at 31 March 2013.
- b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2013.
- 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 2013.
- 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 (5%) 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.

Administration Expenses

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

Benefits Payable

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

Contribution Income

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

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

Investment Income

- i. **Interest Income:** Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination. Income includes the amount of any amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis
- ii. **Dividend Income:** Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- iii. **Distribution from pooled funds:** Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- iv. **Movement in the net market value of investments:** Changes in the net market value of investments are recognised as income and comprise all realised profits/losses during the year.

Taxation

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

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

Investment Management Expenses

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

3. Contributions Receivable

	2011/12	2012/13
	£000's	£000's
Employers		
Council	24,353	22,654
Scheduled bodies	14,426	16,968
Admitted bodies	1,329	4,729
	<hr/> 40,108	<hr/> 44,351
Members		
Council	6,326	5,581
Scheduled bodies	3,348	3,713
Admitted bodies	282	354
	<hr/> 9,956	<hr/> 9,648
Total Contributions	<hr/> 50,064	<hr/> 53,999

4. Transfers In

	2011/12 £000's	2012/13 £000's
Individual transfers in from other schemes	5,294	2,670

5. Benefits Payable

	2011/12 £000's	2012/13 £000's
Pensions	30,245	36,364
Commutations and lump sum payments	7,116	6,361
Lump sum death benefits	1,223	923
	38,584	43,648

6. Payments to and on Account of Leavers

	2011/12 £000's	2012/13 £000's
Refunds to members leaving service	6	13
Group transfers to other schemes	1	-
Individual transfers to other schemes	4,803	2,623
	4,810	2,636

7. Administrative Expenses

	2011/12 £000's	2012/13 £000's
Administration and processing	960	927
Actuarial fees	110	66
Audit fees	36	30
	1,106	1,023

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

8. Investment Income

	2011/12 £000's	2012/13 £000's
Income from property unit trusts	788	-
Interest on cash deposits	86	26
Other income	399	42
	1,273	68
Irrecoverable withholding tax	-	-
Total investment income	1,273	68

9. Investments

2012/13	Value at 1/4/2012 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Unrecog -nised Losses £000's	Change in Market Value £000's	Value at 31/3/2013 £000's
Pooled investment vehicles	702,409					790,106
		23,033	(13,136)	(473)	78,273	
	702,409	23,033	(13,136)	(473)	78,273	790,106
Cash Deposits	1,221					1,492
	703,630					791,598

2011/12	Value at 1 April 2011 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Unrecog -nised Losses £000's	Change in Market Value £000's	Value at 31 March 2012 £000's
Pooled investment vehicles	638,391	57,101	(9,350)	-	16,267	702,409
Properties	23,160	-	(23,972)	-	812	-
	661,551	57,101	(33,322)	-	17,079	702,409
Cash Deposits	727					1,221
	662,278					703,630

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. The unrecognised losses relate to unrealised losses generated in previous periods and were not required to be disclosed in earlier Statement of Reporting Practice. Any income attributed to the unitised funds are reinvested and accounted for as a change in market value as opposed to income. As a result of these changes the investment income for 2012/13 reduced to £0.068 million; 2011/12 £1.273 million.

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 £791.598 million. This was split as follows:

Investment Portfolio

Schroder Investment Management
Newton Investment Management
Legal & General

2012/13 £000's	%
358,204	45.25
376,022	47.50
57,372	7.25
791,598	100.00

Major Investments

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

Value £000's	2011/12 as % of investment assets		Value £000's	2012/13 as % of investment assets
226,349	32.17%	Newton Real Return Fund	252,864	31.94
105,552	15.00%	Newton Long Corporate Bond Fund	118,908	15.02
220,342	31.32%	Schroder Life Diversified Growth Fund	243,716	30.79
100,767	14.32%	Schroder All Maturities Corporate Bond Fund	113,904	14.39
34,053	4.84%	Legal and General Index Linked Tracker Fund	40,214	5.08
687,063			769,606	97.22
Pooled investment Vehicles			2011/12 £000's	2012/13 £000's
UK Managed funds			653,010	732,734
UK Unit Trusts			49,399	57,372
			702,409	790,106
Cash Deposits				
Sterling			1,221	1,492
			703,630	791,598

Pooled Investment Vehicles

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

Newton's Portfolio	Long Corporate Bonds	Global High Yield Bonds	Long Gilt	Newton's Real Return
Equities (%)				
UK	-	-	-	13.05
North America	-	0.14	-	11.41
Europe Ex UK	-	-	-	18.82
Japan	-	-	-	2.89
Pacific Ex Japan	-	-	-	2.44
Other	-	-	-	2.54
		0.14		51.15
Fixed Interest (%)				
	Long Corporate Bonds	Global High Yield Bonds	Long Gilt	Newton's Real Return
UK Gilts	-	-	93.02	9.51
UK Index Linked Gilts	-	-	1.68	-
UK Corporate Bonds	97.18	18.44	5.14	2.40
Overseas Government Bonds	-	1.06	-	13.16
Overseas Corporate Bonds	-	71.76	-	8.61
Overseas Index Linked Corporate Bonds	-	-	-	2.37
	97.18	91.26	99.84	36.05

Other Assets

Commodities	-	-	-	3.93
Derivatives	-	-	-	(0.34)
Cash	2.82	8.60	0.16	9.21
	2.82	8.60	0.16	12.80
Total %	100.00	100.00	100.00	100.00

	Diversified Growth Fund	Schroder All Maturities Corporate Bond
Equities		
Schroder QEP Global Dynamic Blend Portfolio	17.00	-
Schroder UK Alpha Plus Fund	5.00	-
Schroder European Alpha Plus Fund	3.00	-
Schroder ISF Asian Equity Yield	3.00	-
Schroder ISF US Small & Mid Cap	2.00	-
Schroder US Mid Cap Fund	2.00	-
Schroder Income Fund	1.00	-
Schroder Global Emerging Markets Fund	1.00	-
Passive Equities	10.00	-
	<u>44.00</u>	
Commodities		
UBS Bloomberg CMCI Composite	7.00	-
UBS Bloomberg CMCI Energy	4.00	-
ETF Gold	3.00	-
Schroder ISF Global Energy	3.00	-
	<u>17.00</u>	-
High Yield Debt		
Schroder ISF Global High Yield	6.00	-
Neuberger Berman High Yield Bond Fund	6.00	-
T Rowe Price Global High Yield Bond Fund	3.00	-
	<u>15.00</u>	
Emerging Market Bonds		
Schroder ISF Emerging Market Debt Absolute Return	5.00	-
Mellon Emerging Market Debt Local Currency Fund	3.00	-
PIMCO Emerging Local Bond Fund	1.00	-
	<u>9.00</u>	
Property		
Passive Property	2.00	-
Schroder ISF Asia Pacific Property Securities	1.00	-
	<u>3.00</u>	

Absolute Return

JPMorgan Highbridge Statistical Market Neutral Fund	1.00	-
Opus Multi-Strategy Fund Note	1.00	-
Opus Macro Fund Note	1.00	-
	<u>3.00</u>	

Infrastructure

International Public Partnerships Limited	1.00	-
HSBC Infrastructure Company Limited	1.00	
John Laing Infrastructure Limited	1.00	-
	<u>3.00</u>	

Other Assets

Private Equity	1.00	-
Asset Backed Securities Portfolio	2.00	-
Cash	3.00	-
	<u>6.00</u>	

Corporate Bonds

Sovereign	-	6.20
Securitised	-	11.50
Government Related	-	79.30
Corporate	-	3.00
		<u>100.00</u>

Total	100.00	100.00
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10. 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.

2012/13 AVC Investments	2011/12 £000's	Contributions £000's	Income £000's	Expenditure £000's	2012/13 £000's
Aviva /NorwichUnion	648	20	13	-	680
Prudential					
With Profits	507	84	26	(85)	532
Deposit	289	63	2	(29)	325
Unit Linked	448	99	131	(13)	665
Total Prudential AVCs	1,244	246	159	(127)	1,522
Total AVC's	1,892	266	172	(127)	2,202

2011/12 AVC Investments	2010/11 £000's	Contributions £000's	Income £000's	Expenditure £000's	2011/12 £000's
Aviva /NorwichUnion	779	35	7	(173)	648
Prudential					
With Profits	444	76	47	(60)	507
Deposit	359	93	2	(165)	289
Unit Linked	319	105	51	(27)	448
Total Prudential AVCs	1,122	274	100	(252)	1,244
 Total AVC's	 1,901	 309	 107	 (425)	 1,892

The fund does not participate in stock lending arrangements.

11. Investment Management Expenses

	2011/12 £000's	2012/13 £000's
Administration, management and custody	1,835	1,796
Performance Measurement Services	7	11
Other advisory fees	78	44
	<u>1,920</u>	<u>1,851</u>

12. Current Assets

	2011/12 £000's	2012/13 £000's
Contributions due from employers in respect of		
Employer contributions	4,081	1,120
Member contributions	260	225
Sundry Debtors	434	2,348
Cash Balances	6,429	10,095
	<u>11,204</u>	<u>13,788</u>

13. Current Liabilities

	2011/12 £000's	2012/13 £000's
Unpaid Benefits	1,547	795
Unsettled Purchases	32	40
Accrued Expenses	770	6,214
	<u>2,349</u>	<u>7,049</u>

14. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2000 and reviewed at least annually, sets out the Fund's

policy on a range of matters relating to the investment and management of the Pension Fund. The Statement is published on the Borough's website at www.barnetpensions.org.

15. Related Party Transactions

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

	2011/12 £000's	2012/13 £000's
Human Resources	417	451
Accountancy Administration	455	401
	872	852

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

16. Actuarial Valuation

Barnett Waddingham LLP undertook a formal actuarial valuation of the fund as at 31 March 2010, in accordance with The Local Government Superannuation Regulations 1986. The actuarial valuation calculates the contribution rate payable by Authority, as an employer, to meet the Administering Authority's funding objectives. The actuarial method used by the Actuary is known as the "projected unit credit method".

The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund, which is open to new members.

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

The 2010 valuation actuarially assessed the value of the Fund's assets as £609.68 million, being sufficient to meet 76% of the Fund's liabilities. The latest valuation as at 31st March 2013 as per the requirements of IAS26 is attached. The figures below relate to the FRS17 valuation as at 31st March 2010, and are given for comparison;

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

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

17. 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.

31 March 2013

Financial Assets

Pooled Investments

Pooled Property

Cash Deposits

Investment income due

Debtors

Financial Liabilities

Creditors

Designated as fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000
790,106	-	-
-	-	-
-	11,589	-
-	-	-
-	2,348	-
-	-	(7,049)
790,106	13,937	(7,049)

31 March 2012

Financial Assets

Pooled Investments

Pooled Property

Cash Deposits

Investment income due

Debtors

Financial Liabilities

Creditors

£'000	£'000	£'000
702,409	-	-
-	-	-
-	7,650	-
-	-	-
-	4,775	-
-	-	(2,349)
702,409	12,425	(2,349)

18. 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 2013 working capital was held in the Pension Fund Bank account with the Co-operative Bank in a call account with the Bank of Scotland and in accordance with the Council's Treasury management strategy credit rating criteria.

	Long Term Credit Rating	Source	Holding 31/3/2012 £'000	Holding 31/3/2013 £'000
Schroder Group	AA3	Moody's		
JP Morgan (Schroder Custodian)	AA-	Standard and Poors	321,516	358,204
Newton –Bank of New York Mellon (Parent)	A+	Standard and Poors	332,715	376,022
Bank of Scotland	A1	Moody's	2,272	-
Co-operative Bank	BBB+	Fitch	4,085	10,097

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.

2012/13

Asset Type	Market Value 31.3.2013 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Pooled Investments	791,598	10.0	870,758	712,438
Cash Deposits	10,095	1.0	10,196	9,994

2011/12

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

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.

19. Membership of the Pension Fund

	2012/13
Employees	
Number of Employees at start of year	6,790
Employees joining during the year	933
	<u>7,723</u>
Members leaving during the year:	
Normal retirements	171
Ill-health retirements	7
Deaths in service	9
Refunds of Contributions	16
Deferred pensions	752
	<u>955</u>
Number of Employees at end of year	<u>6,768</u>
Pensioners	
Number of Pensioners at start of year	6,585
New pensioners during the year:	
Normal retirements	107
Ill-health retirements	7
Dependants' pensions	56
Deferred pensions becoming payable	112
	<u>282</u>
	<u>6,867</u>
Deaths/dependants ceasing to be eligible	<u>158</u>
Number of Pensioners at end of year	<u>6,709</u>
Deferred Pensioners	
Number of Deferred Pensioners at start of year	7,346
New deferred pensioners during the year:	<u>753</u>
	<u>8,099</u>
Deferred Pensioners leaving the fund during the year	
Normal retirements	78
Ill-health retirements	4
Transferred	63
Back to active status	2
Deaths	-
	<u>147</u>
Number of Deferred Pensioners at end of year	<u>7,952</u>
Total Membership at 31 March 2013	<u>21,429</u>

20. Assumptions made about the future and other major sources of estimation and 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 because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year as follows:

Actuarial present value of promised retirement benefits

Estimation of the net liability to pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on fund assets. The actuary makes prudent assumptions, to manage the potential impact of downside risk.

21. Events after the Balance Sheet date

Since the Balance Sheet date of 31 March 2013, there have been no post balance sheet events to report. The only non-adjusting event that is reported is the latest value of the total investments of the Fund which increased slightly from £801.692m to £808.438m, (as valued at 31 May 2013) .This represents a change of £6.745m.

London Borough of Barnet Pension Fund

IAS26 Disclosures as at 31 March 2013

Barnett Waddingham
Public Sector Consulting

1. 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 provide pension disclosures in respect of pension benefits provided by the Local Government Pension Scheme ("the LGPS") to members of London Borough of Barnet Pension Fund ("the Fund") as at 31 March 2013.

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

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

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

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

2. Valuation Data

Data Sources

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

- The results of the Triennial Actuarial Valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2013;
- Estimated whole fund returns for the period to 31 March 2013 based on assets used for the purpose of the IAS26 valuation as at 31 March 2012 and the whole fund asset value as at 31 March 2013;
- Details of any new early retirements for the period to 31 March 2013 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

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

Fund Membership Statistics

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

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

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2013 is estimated to be 11%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for London Borough of Barnet Pension Fund as at 31 March 2013 is as follows:

Employer Asset Share - Bid Value	31 March 2013		31 March 2012	
	£000's	%	£000's	%
Equities	545,151	68%	372,337	52%
Gilts	-	-	71,603	10%
Other Bonds	248,525	31%	236,291	33%
Cash	8,017	1%	28,641	4%
Alternative Assets	-	-	7,160	1%
Total	801,693	100%	716,032	100%

The final asset allocation of the Fund assets as at 31 March 2013 is likely to be different from that shown due to estimation techniques.

Unfunded Benefits

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

3. Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Fund's liabilities as at 31 March 2013, we have rolled forward the value of the Fund's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS19.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2013 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2013 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 no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

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

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)	31 March 2013	31 March 2012
Retiring today		
Males	20.1	20.0
Females	24.1	24.0
Retiring in 20 years		
Males	22.1	22.0
Females	26.0	25.9

We have also made the following assumptions:

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

Financial Assumptions

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

Assumptions as at	31 March 2013		31 March 2012		31 March 2011	
	%p.a.	Real	%p.a.	Real	%p.a.	Real
RPI Increases	3.4%	-	3.3%	-	3.5%	-
CPI increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Salary Increases	4.8%	1.4%	4.7%	1.4%	5.0%	1.5%
Pension Increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Discount Rate	4.6%	1.2%	4.6%	1.3%	5.5%	1.9%

These assumptions are set with reference to market conditions at 31 March 2013.

Our estimate of the duration of the Fund's liabilities is 23 years.

The discount rate is the annualised yield at the 23 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for the Fund.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 23 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect the duration of the Fund's liabilities.

This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.4%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.6%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale.

Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore we are not required to disclose an expected return assumption for the year to 31 March 2014.

4. Results and Disclosures

The results of our calculations for the year ended 31 March 2013 are set out in Appendix 1. We estimate that the net liability as at 31 March 2013 is a liability of £503,757,000.

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

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

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

A handwritten signature in blue ink, appearing to read 'A Short', is positioned above the printed name and title.

**Anna Short FFA
Associate**

Appendix 1. Balance Sheet Disclosure as at 31 March 2013

Net Pension Asset as at	31 Mar 2013 £000's	31 Mar 2012 £000's	31 Mar 2011 £000's
Present Value of Funded Obligation	1,305,450	1,212,469	989,896
Fair Value of Scheme Assets (bid value)	801,693	716,032	671,505
Net Liability	503,757	496,437	318,391

*Present Value of Funded Obligation consists of £1,066,310,000 in respect of Vested Obligation and £239,140,000 in respect of Non-Vested Obligation.

Appendix 2. Asset and Benefit Obligation Reconciliation for the Year to 31 March 2013

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Opening Defined Benefit Obligation	1,212,469	989,896
Service cost	37,366	35,286
Interest cost	55,136	54,528
Actuarial losses (gains)	28,011	163,238
Losses (gains) on curtailments	1,565	1,730
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Estimated benefits paid net of transfers in	(38,759)	(44,242)
Past service cost	-	-
Contributions by Scheme participants	9,662	12,033
Unfunded pension payments	-	-
Closing Defined Benefit Obligation	1,305,450	1,212,469

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Opening fair value of Scheme assets	716,032	671,505
Expected return on Scheme assets	38,566	43,845
Actuarial gains (losses)	40,020	(12,064)
Contributions by employer including unfunded	36,172	44,955
Contributions by Scheme participants	9,662	12,033
Assets acquired in a business combination	-	-
Estimated benefits paid net of transfers in and including unfunded	(38,759)	(44,242)
Receipt / (Payment) of bulk transfer value	-	-
Fair value of Scheme assets at end of period	801,693	716,032

Reconciliation of opening & closing surplus	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Surplus (Deficit) at beginning of the year	(496,437)	(318,391)
Current Service Cost	(37,366)	(35,286)
Employer Contributions	36,172	44,955
Unfunded pension payments	-	-
Past Service Costs	-	-
Other Finance Income	(16,570)	(10,683)
Settlements and Curtailments	(1,565)	(1,730)
Actuarial gains (losses)	12,009	(175,302)
Surplus (Deficit) at end of the year	(503,757)	(496,437)