



<b>Contents</b>	<b>Page</b>
1. Trustee's Report	3
2. Investment Policy	6
3. Management and Financial Performance	9
4. Governance Compliance Statement	11
5. Funding Strategy Statement	11
6. Statement of Investment Principles	11
7. Communication Policy Statement	12
8. Actuarial Statement	14
9. Auditor's Report	17
10. Pension Fund Accounts 2009-2010	19

## **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 1<sup>st</sup> April 2008.

The main changes to the scheme are an improvement in the accrual rate (for future service) from 1/80<sup>th</sup> of salary for pension and 3/80<sup>th</sup> of lump sum to 1/60<sup>th</sup> for pension and a new tiered contribution rate for employees. The new contributions rates mean that some staff pay slightly less and some slightly more in contributions.

The normal retirement age in the LGPS is 65 for everyone, but there are protections for staff who would have qualified for unreduced benefits at age 60 if they will be 60 by 31<sup>st</sup> March 2020. There are also improvements to death grant lump sums and the introduction of survivor's pensions for nominated partners. Ill-health retirement will also change with 3 different benefits tiers depending on the likelihood of the member gaining meaningful employment in the future.

## **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 Scheme;
- Appointing Investment Managers, advisors and custodians
- Reviewing the performance of the Investment Managers and the Investments held in the scheme, 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**

### **Administering Authority**

London Borough of Barnet

### **Pension Fund Committee Members**

Chairman:	John Marshall
Vice-Chairman	Mark Shooter
Members:	Maureen Braun Alex Brodkin Geoff Cooke Monroe Palmer
Substitutes:	Jack Cohen Geoff Johnson Anthony Finn Susette Palmer Andrew Harper Ansuya Sodha

### **Officers**

Andrew Travers, Deputy Chief Executive  
Chris Malyon, Assistant Director of Finance  
Karen Bannister, Treasury Manager

### **Observers**

John Burgess, Unions  
David Woodcock, Middlesex University

### **Actuary**

Barnett Waddingham

**Investment Advisors**  
JLT Benefit Solutions

**Auditors**  
Grant Thornton UK LLP

**Performance Monitoring**  
WM Company

**Custodians**  
JP Morgan  
The Bank of New York

**Pensions Administration Manager**  
Hansha Patel

## **2. Investment Policy**

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

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

### **Balanced Fund**

The Fund is managed on a balanced (excluding property and cash) basis by two fund managers with an internally managed property portfolio. During the financial year there were two investment managers, Schroder Investment Limited and Newton Investment Management Limited. Balanced management gives the fund manager discretion across assets as well as within assets and markets.

### **Benchmark**

The Fund's performance is analysed by WM Company Ltd using the WM Local Authority Universe. This Universe is representative of the UK Local Authority Peer Group; performance reports are produced by WM on a quarterly basis. The target performance for each fund manager is out-performance of the benchmark by 1% with a downside limit of 3% over a rolling three year periods. The downside limit is the largest acceptable level of underperformance of the benchmark.

### **Property**

The Fund does not own property directly but invests in managed property unit funds. The Pension Fund's unit trust portfolio is managed in-house by the Council's officers with investment advice in the selection of these holdings provided by the fund's independent advisor. The property unit trust portfolio represents 4% of the total market value of the fund.

### **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:

	Limits Adopted
1. Any single sub-underwriting contract	5%
2. All contributions to any partnership.	5%
3. All contributions to partnerships	15%
4. All deposits with –	10%

<p>A) Any local authority, or  B) Any body with power to issue a precept or requisition to a local authority can be required to contribute, which is an exempt person (within the meaning of the Financial Services and Markets Act 2000 (4)) in respect of accepting deposits as a result of an order made under section 28(1) of that Act, and all loans (but excluding Government Loans)</p>	
<p>5. All investments in unlisted securities of companies</p>	<p>15%</p>
<p>6. Any single holding (but not if the investment is made by an investment manager, or the single holding is in unit or other shares of the investments subject to the trusts of any one unit trust scheme)</p>	<p>10%</p>
<p>7. All deposits with any single bank, institution or person (other than the National Savings Bank).</p>	<p>10%</p>
<p>8. All sub-underwriting contracts</p>	<p>15%</p>
<p>9. All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body.</p>	<p>35%</p>
<p>9a. All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body.</p>	<p>35%</p>
<p>9b. All investments in units or other share of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body</p>	<p>35%</p>
<p>10. Any single insurance contract</p>	<p>35%</p>
<p>11. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.</p>	<p>25%</p>

## **Independent Advisor**

The Chief Finance 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 Barnet Waddingham; the actuary's role is to place a value on the Fund's accumulated pension promises. A formal valuation of the fund is required legally every three years; the most recent valuation of the fund took place as at the 31<sup>st</sup> of March 2007 (produced by Hymans Roberson).

The next actuarial valuation is due as at 31 March 2010 and the resulting contributions rates required by employers will take effect from 1 April 2011.

## **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/pensions/pension-fund-investments/pensions-investment-corporate-governance.htm>



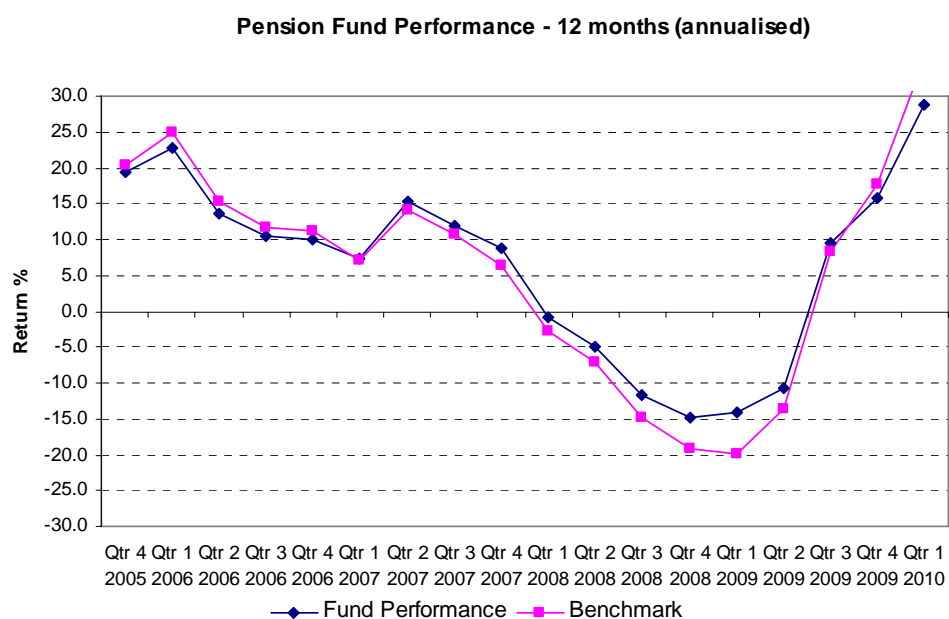
### 3. Management and Financial Performance of the fund for the 2009-2010 Financial Year

#### 3.1 Fund Performance

The Fund subscribes 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. As mentioned earlier this service is provided by WM Company Limited. The following chart shows recent performance relative to the Fund's Benchmark.

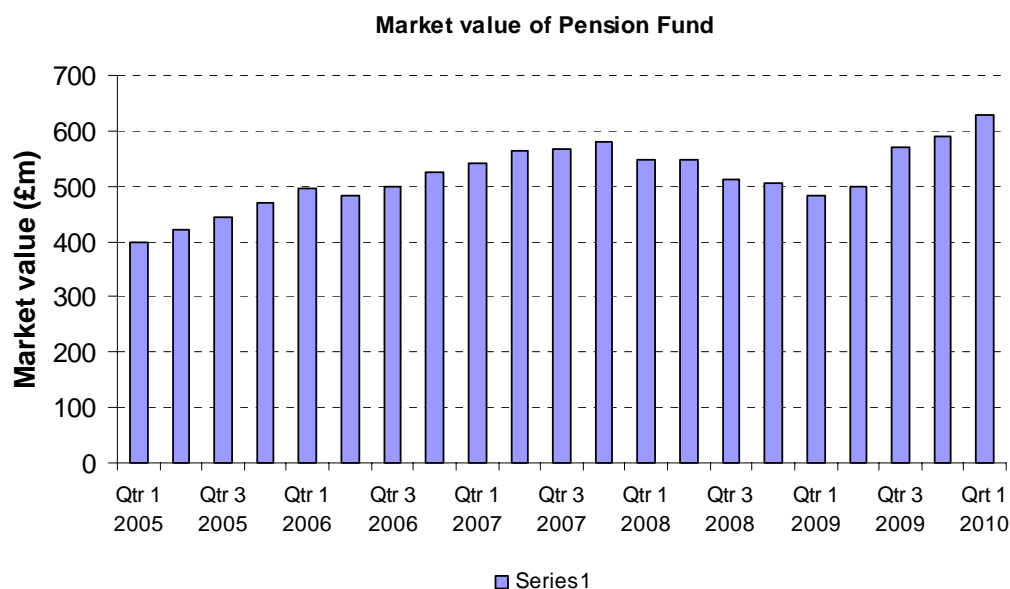
Over the year to 31 March 2010, the Fund had a return of 28.8%, underperforming the WM Local Authority Universe benchmark return of 35.1, mainly because of the stock selection. This ranked in the 87th percentile of the WM Local Authority Universe.

The chart shows the performance of the Fund against the WM benchmark from 12 months to 5 years.



### 3.2 Market Value of the Fund

The following chart shows the movement in the market value of the Fund from 1 July 2005 to 31 March 2010.



### 3.3 Asset Allocation

The chart below shows the asset allocation of the Barnet Pension Fund at 31<sup>st</sup> March 2010. The Fund is actively managed by the fund's two managers. Active management is a style of investment where the fund manager aims to outperform a benchmark by making decisions about asset allocation, market timing or stock selection (or a combination of these).

Asset Class	Percentage of fund
UK Equities	32%
North America	14%
Continental Europe	13%
Japan	3%
Total Pacific (ex. Japan)	9%
Other International Equities	2%
UK Bonds	8%
Overseas Bonds	3%
UK Index Linked	2%
Overseas Index Linked	1%
Total Property	4%
Cash	9%

### **3.4 Investment Report**

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

The Council seeks to achieve its investment objectives through investing in a suitable mix of growth (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 view 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 this revised asset allocation.

### **4. Governance Compliance Statement**

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

### **5. Funding Strategy Statement**

The funding strategy statement for the Barnet fund can be found on the Barnet website at:  
<http://committeepapers.barnet.gov.uk/democracy/reports/reportdetail.asp?ReportID=6975>

### **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 September 2009, 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](http://www.barnetpensions.org)

## 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:-

- Scheme members and their representatives
- Prospective scheme members and their representatives
- Scheme 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 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](http://www.barnet.gov.uk/pensions) containing Scheme details, Scheme literature etc. There are also links to other organisations relevant to Scheme members, e.g. employers, AVC providers, employers' organisations etc.
- **Member Self-Service** the Pensions Office's website also allows Scheme members to log onto their own pensions record and automatically inform the Pensions Office electronically of any changes.
- **Scheme Booklet** A Scheme booklet, including forms, is produced by the Pensions Office and is supplied to scheme members and scheme employers directly. Copies of the Scheme booklet can also be viewed and downloaded on the Pensions Office website [www.barnet.gov.uk/pensions](http://www.barnet.gov.uk/pensions)
- **Annual Benefits** An Annual Benefits Statement is sent direct to the home addresses of all members who were contributing to the Fund during the financial year being reported.

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

- **Payslips** The Pensions Office continues to issue monthly payslips to pensioners. This is utilised as a communication mechanism, since messages can be included. Pensions increase information is communicated using this medium on an annual basis.
- **Pensions Roadshows** The Pensions Office also stages ad hoc Roadshows for Scheme members particularly where there are changes to the Scheme or 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.

**Pensions Office**  
**Building 4**  
**North London Business Park**  
**Oakleigh Road South**  
**London**  
**N11 1NP**

**Telephone:** 020 8359 7886  
**Fax:** 0870 889 6817

**Email:** [pensions@barent.gov.uk](mailto:pensions@barent.gov.uk)

**Website:** [www.barnet.gov.uk/pensions](http://www.barnet.gov.uk/pensions)

On behalf of the Pension Fund Committee

Councillor John Marshall  
Chairman of the Pension Fund Committee

# London Borough of Barnet Pension Fund

**Actuary's Statement  
as at 31 March 2010**

**Barnett Waddingham**  
Public Sector Consulting

6 July 2010

## Introduction

The last full triennial valuation of the London Borough of Barnet Pension Fund was carried out by Hymans Robertson LLP as at 31 March 2007. The results were published in their reports dated 31 March 2008.

## 2007 Valuation

The 2007 valuation certified a common contribution rate of 23.4% of pensionable pay to be paid by each employing body participating in the London Borough of Barnet Pension Fund. In addition to this each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within their Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificates in the triennial valuation report.

## Contribution rates

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

- 100% of the liabilities in respect of each employer that have built up within the Fund in respect of service to the valuation date, allowing for future pay increases and increases to pensions 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.

## Asset Value and Funding Level

The value of the Fund's assets as at 31 March 2007 for valuation purposes was £539.5m which represented 71% of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

The contribution rates were calculated using the Projected Unit Method taking account of the market value of assets at that date.

To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date and were as follows;

- Rate of return on investments 6.1%
- Rate of increases in pay 4.7%
- Rate of Increases to pensions in payment 3.2%

## Post Valuation Events – Changes in market conditions

Since March 2007 investment returns have been less than assumed at the 2007 valuation although liabilities may have also reduced due to an increase in the real discount rate underlying the valuation funding model. There has been an improvement in investment returns since 31 March 2009 which will be factored into the next valuation result.

The next actuarial valuation is due as at 31 March 2010 and the resulting contribution rates required by the employers will take effect from 1 April 2011. We will continue to monitor the financial position of the Fund



**Alison Hamilton FFA**

**Partner**

6 July 2010



## **9. Auditor's report**

### **Independent auditor's report to the Members of London Borough of Barnet Pension Fund Committee.**

We have audited the pension fund accounting statements for the year ended 31 March 2010. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Barnet Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. 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 Financial Officer and auditor**

The Chief Financial Officer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009. In preparing the pension fund accounts, the Responsible Financial Officer is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the fund year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounting statements.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the governance compliance statement, the funding strategy statement, the statement of investment principals and communication policy statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

### **Opinion**

In our opinion:

- the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the fund year; and
- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounting statements.



Paul Winrow  
Senior Statutory Auditor  
For and behalf of Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London NW1 2EP

15 September 2010

## 10. Pension Fund Accounts 2009/10

### Fund Account

<b>Contributions and Benefits</b>	<b>Note</b>	<b>2009/10</b>	<b>2008/09</b>
		£000	£000
Contributions receivable	3	48,676	46,050
Transfers in	4	4,660	2,973
Other income		7	1
		<u>53,343</u>	<u>49,024</u>
Benefits payable	5	(35,696)	(31,620)
Payments to and on Account of Leavers	6	(6,431)	(2,052)
Administrative expenses	7	(1,030)	(936)
		<u>(43,157)</u>	<u>(34,608)</u>
<b>Net additions from dealings with members</b>		10,186	14,416
<b>Return on investments</b>			
Investment income	8	14,799	18,806
Change in market value of investments	9	126,404	(97,873)
Investment management expenses	10	(2,127)	(1,845)
<b>Net returns on investments</b>		<u>139,076</u>	<u>(80,912)</u>
<b>Net increase/decrease in the fund during the year</b>		149,262	(66,496)
<b>Net assets of the scheme</b>			
At 1 April 2009		482,139	548,635
At 31 March 2010		<u>631,401</u>	<u>482,139</u>

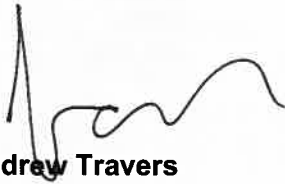
### Net Assets Statement

	<b>Note</b>	<b>2009/10</b>	<b>2008/09</b>
		£000	£000
Investment assets	9	627,342	480,589
Current assets	11	5,177	5,892
Current liabilities	12	(1,118)	(4,342)
		<u>631,401</u>	<u>482,139</u>

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations is dealt with in the statement by the actuary on pages 14 and 15, and these financial statements should be read in conjunction with it.

**Statement of the Chief Finance Officer**

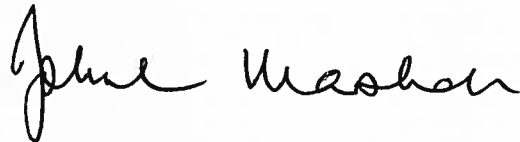
The financial accounts have been prepared in accordance with the accounting policies set out on pages 22 to 23.



**Andrew Travers**  
**Deputy Chief Executive Officer**

**Statement of the Chairman of the Pension Fund Committee**

The financial statements were approved by the Pensions Committee on the 15<sup>th</sup> of September 2010.



**Councillor John Marshall**  
**Chairman of the Pension Fund Committee**

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. Introduction

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

#### Admitted Bodies

Barnet Homes	Birkin Services
Connaught Partnerships	Fremantle Trust
Friends Moat Mount	Go Plant Hire
Greenwich Leisure	Housing 21
Open Learning Partnership	Servite Housing
Turners Cleaning	

#### Scheduled Bodies

Ashmole	Barnet College
Danegrove School	Deansbrook Junior
Dollis Junior	Finchley Catholic School
Friern Barnet School	London Academy
Mathilda Marks	Menorah Foundation
Middlesex University	Mill Hill County School
Monkfrith School	Osidge School
Queen Elizabeth Boys	St Michael's Grammar
St Pauls CE Primary	Woodhouse College
Wren Academy	

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

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 7,093 at 31 March 2009 to 7,175 at 31 March 2010. During the same period the number of pensioners increased from 6,041 to 6,207 and the number of deferred pensioners increased from 5,812 to 6,025. A government scheme supplies teachers' pensions; they are not provided for under these arrangements.

Admitted Body, Connaught Partnerships formally entered administration on the 8<sup>th</sup> of September 2010. Whilst the consequences of the administration are under consideration, the full impact on the London Borough of Barnet Pension Fund is unlikely to be known until the administrators have completed the administration process.

## **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.

### 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 Market Value. Market 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 2010.
- b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2010.
- 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 2010.

### 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 two fund managers: Schroder Investment Management and Newton Investment Management are required to produce a return on investment within benchmarks set by the Authority. These restrictions and the fund manager's analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments. Approximately 12% of the Fund is held in house (4% in property unit trusts and 8% in pooled funds) and cash arising from these unit trusts is administered by the staff of the London Borough of Barnet acting on advice from the Authority's independent investment advisor.

### 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 Corporate Services Directorate.

## Benefits

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. Full details of all benefits payable are available on the Borough's website at [www.barnet.gov.uk/pensions](http://www.barnet.gov.uk/pensions)

## Cash Balances and Interest on Cash

A cash balance of £71.82 million (£52.96 million in 08/09) was held by the Authority at 31 March 2010. Interest on cash held by the Borough on behalf of the Pension Fund is calculated on a rate equivalent to the Borough's average rate of return.

## 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.

### 3. Contributions

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
<b>Employers</b>		
LB Barnet	24,988	23,306
Scheduled bodies	10,321	9,239
Admitted bodies	2,907	3,412
<b>Members</b>		
LB Barnet	6,929	6,744
Scheduled bodies	2,732	2,511
Admitted bodies	799	838
	<b>48,676</b>	<b>46,050</b>

### 4. Transfers In

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
Individual transfers in from other schemes	4,660	2,973
	<b>4,660</b>	<b>2,973</b>

## 5. Benefits

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
Pensions	27,234	25,364
Commutations and lump sum payments	7,939	5,738
Lump sum death benefits	523	518
	<b>35,696</b>	<b>31,620</b>

## 6. Payments to and on Account of Leavers

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
Refunds to members leaving service	5	1
Group transfers to other schemes	-	346
Individual transfers to other schemes	6,426	1,705
	<b>6,431</b>	<b>2,052</b>

## 7. Administrative Expenses

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
Administration and processing	979	878
Actuarial fees	14	17
Audit fees	37	39
Legal and other professional fees	-	2
	<b>1,030</b>	<b>936</b>

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

## 8. Investment Income

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
Income from fixed interest securities	2,576	3,131
Dividend from equities	10,280	10,108
Income from index linked securities	375	229
Income from pooled investments	142	965
Income from property unit trusts	1,295	1,337
Interest on cash deposits	448	3,460
Other income	489	308
	<b>15,605</b>	<b>19,538</b>
Irrecoverable withholding tax	(806)	(732)
Total investment income	<b>14,799</b>	<b>18,806</b>



## 9. Investment Assets

	Value at 01 April 2009 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2010 £000
Fixed interest securities	81,292	41,272	(73,296)	(9,393)	39,875
Equities	227,854	116,263	(104,440)	96,848	336,525
Index-linked securities	24,216	8,843	(10,996)	1,745	23,808
Pooled investment vehicles	72,758	29,173	(5,324)	36,446	133,053
Properties	21,506	-	-	758	22,264
	<u>427,626</u>	<u>195,551</u>	<u>(194,056)</u>	<u>126,404</u>	<u>555,525</u>
Cash Deposits	<u>52,963</u>				<u>71,817</u>
	<u>480,589</u>				<u>627,342</u>

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.

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. Transaction costs incurred during the year amounted to £238,500 (2008/09: £351,177). 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. The fund does not participate in stock lending arrangements.

The market value of investments held under management by the Fund's investment managers at year end totalled £533,261,000. This was split as follows:

	£'000	%
Schroder Investment Management	248,457	46.6
Newton Investment Management	240,168	45.0
Legal & General	<u>44,636</u>	<u>8.4</u>
	<u>533,261</u>	<u>100.0</u>

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
<b>Fixed interest securities</b>		
UK – Government	28,245	66,131
UK - Corporate Bonds	3,829	8,609
Overseas Corporate	4,130	-
Overseas Government	3,671	6,552
	<u>39,875</u>	<u>81,292</u>
<b>Equities</b>		
UK quoted	188,408	125,501
UK unquoted	-	-
Overseas quoted	148,117	102,353
Overseas unquoted	-	-
	<u>336,525</u>	<u>227,854</u>
<b>Index-linked securities</b>		
UK public sector quoted	20,523	24,216
Overseas public sector quoted	3,285	-
	<u>23,808</u>	<u>24,216</u>
<b>Pooled investment Vehicles</b>		
UK Managed funds	35,881	8,233
UK Unit Trusts	97,172	64,525
	<u>133,053</u>	<u>72,758</u>
<b>Property</b>		
UK property unit trusts	22,264	21,506
	<u>22,264</u>	<u>21,506</u>
<b>Cash Deposits</b>		
Sterling	71,817	52,963
	<u>71,817</u>	<u>52,963</u>

### **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. The aggregate amounts of AVC investments are as follows:

	<b>2009/10</b> £000	<b>Contributions</b> £000	<b>Income</b> £000	<b>Expenditure</b> £000	<b>2008/09</b> £000
AVC Investments					
<b>Norwich Union</b>	<b>753</b>	41	26	(57)	743
Prudential					
With Profits	477	45	27	(54)	459
Deposit	291	36	1	0	254
Unit Linked	221	31	36	0	154
<b>Total Prudential AVCs</b>	<b>989</b>	112	64	(54)	867

## 10. Investment Management Expenses

	<b>2009/10</b> £000	<b>2008/09</b> £000
Administration, management and custody	2,017	1,786
Performance Measurement Services	12	13
Other advisory fees	98	46
	<b>2,127</b>	<b>1,845</b>

## 11. Current Assets

	<b>2009/10</b> £000	<b>2008/09</b> £000
Contributions due from employers in respect of		
Employer contributions	1,060	842
Member contributions	279	229
Accrued income	3,814	4,801
Overpayment of Benefits	4	-
Cash Balances	20	20
	<b>5,177</b>	<b>5,892</b>

## 12. Current Liabilities

	<b>2009/10</b> £000	<b>2008/09</b> £000
Unpaid Benefits	344	511
Unsettled Purchases	257	3,479
Accrued Expenses	517	352
	<b>1,118</b>	<b>4,342</b>

### 13. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2000, 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](http://www.barnetpensions.org)

### 14. Related Party Transactions

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

	2009/10 £000	2008/09 £000
Human Resources	581	584
Accountancy administration	143	177
Payroll Support	232	175
	<b>956</b>	<b>936</b>

### 15. Actuarial Valuation

Hymans Robertson LLP undertook a formal actuarial valuation of the fund as at 31 March 2007, 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 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.

The actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. The assumptions, which have the most significant effect on the results of the valuation, are:

Assumption	Rate
Future pension increases (based on price inflation)	3.2%
Future pay increases	4.7%
"Gilt-based" discount rate	4.5%
Funding basis discount rate	6.1%
Overall rate of return on investments	7.2%

The 2007 valuation actuarially assessed the value of the Fund's assets as £539.5 million, being sufficient to meet 71% of the Fund's liabilities.

The latest information valuation as at 31<sup>st</sup> March 2010 as per the requirements of FRS17, use the roll –forward approach together with the following assumptions (the figures in brackets relate to 31<sup>st</sup> March 2009, and are given for comparison);

<b>Assumption</b>	<b>Rate</b>
Assumed price inflation	3.9% (2.7%)
Salary increases	5.4% (4.2%)
Pension increases	3.9% (2.7%)
Discount rate	5.5% (6.7%)

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 11 December 2007 and is available to view at [www.barnet.gov.uk/pensions](http://www.barnet.gov.uk/pensions).