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DATE: 18 September 2017

To: Members of the
PENSIONS INVESTMENT SUB-COMMITTEE

Councillor Keith Onslow (Chairman)
Councillor Russell Mellor (Vice-Chairman)
Councillors Eric Bosshard, Simon Fawthrop, David Livett, Teresa Te and Richard Williams

A meeting of the Pensions Investment Sub-Committee will be held at Bromley Civic Centre on **TUESDAY 26 SEPTEMBER 2017 AT 7.30 PM**

Members of the Local Pension Board are also invited to attend this meeting

MARK BOWEN
Director of Corporate Services

Copies of the documents referred to below can be obtained from http://cds.bromley.gov.uk/

A G E N D A

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2 DECLARATIONS OF INTEREST

3 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 16TH MAY 2017 (Pages 3 - 10)

4 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

In accordance with the Council's Constitution, questions to this Sub-Committee must be received in writing four working days before the date of the meeting. Therefore please ensure that questions are received by the Democratic Services Team by 5pm on Wednesday 20th September 2017.

5 UPDATE FROM THE LONDON COLLECTIVE INVESTMENT VEHICLE (CIV)

Representatives from the London CIV will be in attendance for this item.

6 PENSION FUND PERFORMANCE Q1 2017/18 (Pages 11 - 36)

7 PENSION FUND ANNUAL REPORT 2016/17 (Pages 37 - 132)

8 FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND PROCUREMENT STRATEGY FOR THE APPOINTMENT OF AN ACTUARY (Pages 133 - 142)

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PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 16 May 2017

Present

Councillor Keith Onslow (Chairman)
Councillor Russell Mellor (Vice-Chairman)
Councillors Eric Bosshard, Simon Fawthrop, David Livett and Teresa Te

Also Present

Brian Toms, Employer Representative – Local Pension Board
Jane Harding, Employer Representative – Local Pension Board
Alick Stevenson, AllenbridgeEpic Investment Advisers

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Cllr Richard Williams.

Apologies were also received from Lesley Rickards, Local Pension Board (Member Representative).

2 DECLARATIONS OF INTEREST

There were no declarations (other than those declared at previous meetings of the Sub-Committee).

3 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 5TH APRIL 2017

The minutes were agreed. In so doing thanks were conveyed to Cllr Teresa Te for her work in chairing the Sub-Committee during 2016-17.

4 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

There were no questions.

5 PENSION FUND PERFORMANCE Q4 2016/17

Report FSD17041

Details were provided of the Fund’s investment performance for the fourth quarter 2016/17. Additional detail was provided in an appended report from the Fund’s external advisers, AllenbridgeEpic and Baillie Gifford provided commentary on its performance and view of the economic outlook. Information on general financial and membership trends of the Pension Fund was also outlined along with summarised information on early retirements.

The market value of the Fund ended the March quarter at £943.8m and had fallen slightly to £943.0m as at 30th April 2017. The total fund return for the fourth quarter was 5.7% against a 4.5% benchmark. This compares to an estimated average of 3.7% across LGPS funds for the quarter based on initial figures from PIRC.

Report FSD17041 also advised that officers were currently liaising with relevant contractors for the Extra Care Housing contract and the proposed Libraries contract in relation to obtaining admitted body status with the L B Bromley Fund. Further updates would be provided in future quarterly performance reports.

A provisional net surplus of £5.6m was achieved during 2016/17 (mainly due to investment income of £7.5m) and total membership numbers rose by 733. The net surplus of £5.6m includes £7.5m investment income, which is currently reinvested in the fund. As such, the Fund had an estimated £1.9m cash deficit for the year in cash-flow terms – cash-flow being one of the main drivers for the recent asset allocation review.

Overall, the fourth quarter was considered good by Allenbridge and significant returns were achieved. Although performance had fallen a little at the end of April the position was understood to have recovered. There had been no major issues in the quarter.

In view of the intention to sell all holdings in Diversified Growth Funds there seemed little point in having Standard Life address the Sub-Committee at its meeting on 19th September 2017. Accordingly, the Sub-Committee agreed that an invitation for Standard Life to attend the meeting was no longer necessary.

A share of the Fund assets relating to Bromley College (now part of London South East Colleges) would be transferred to the Local Pensions Partnership as a result of the College leaving the Fund. A Member suggested that proceeds from the DGF disposal be considered first for funding the transfer. However, much depended on the position of markets at the time of transfer and the market should therefore be reviewed the time to decide what assets to sell to generate the cash needed. Another Member supported use of DGF funds unless there was a good case not to do so. However, it was indicated that (at this stage) it was best not to be too rigid in selling DGFs to fund the transfer. The proportions of the Fund's asset allocation would change and any final decision on funding the transfer would be subject to consideration by the Director of Finance, following the advice of Allenbridge, in consultation with the Chairman and Vice-Chairman of the Sub-Committee.

A Member also highlighted the level of employer contribution being paid to the Fund which he felt was unsustainable for the future. The scenario was replicated nationally and there were a number of unfunded pension liabilities in the UK. The situation was such that it was necessary to lobby government on the problem for action to be taken. The Member suggested that the matter should be raised with the Government to address the unsustainable position for local government pension funds. The Chairman confirmed that he would write to Government on this issue. The Director highlighted that the Council's concerns are consistently raised in responses to consultation on pension matters and the Leader had met the Special Adviser to the Secretary of State for Communities and Local Government where the matter was raised. It had also been raised with the local M.Ps to seek to influence Government policy on such matters. Another issue of concern related to TUPE and the protection of staff pension liabilities when outsourcing work. This was off-putting to some tenderers and it was agreed that this would form part of the response to Government following the general election.

RESOLVED that the contents of the report be noted.

6 PENSION FUND - INVESTMENT REPORT

Quarterly reports from Fund Managers had been circulated to Sub-Committee Members and Members of the Local Pension Board with the meeting agenda pack.

A representative from Baillie Gifford attended the meeting reporting on the performance of its portfolio in Global Equities, Diversified Growth Funds and Fixed Interest. Net figures were provided throughout the presentation.

The total portfolio had a valuation of £456,520,316 at 15th May 2017 with previous valuations at 31st March 2016 and 31st March 2017 comprising £344,642,947 and £441,459,809 respectively. Against market developments (e.g. equity markets continuing to perform, a growing economic confidence in Europe, growth by technology companies and a loose monetary policy) and world regional and sector returns in various categories of stock, Baillie Gifford provided details of investment returns to 31st March 2017 with a strong performance from technology stock. U.S. industrial names also performed well. A number of healthcare holdings had, however, detracted from performance. Under the new U.S. administration deregulation was proceeding so providing a fiscal boost. In the U.K. an 18% fall in the value of sterling following the referendum benefitted companies and provided a good trading climate.

The presentation outlined the focus of Baillie Gifford's 2017 research agenda for Global Equities. This covered the improving U.S. economic position and a particular focus on interest rate rises, tax cuts, infrastructure spending and regulatory change. It was anticipated the Federal Reserve could increase interest rates. Technology platforms also featured in Baillie Gifford's research (e.g. capital light business models, strong network effects, stakeholder engagement and emergent areas) as did a focus on re-emerging markets with improving governance and new trade routes (e.g. structural reform focusing on China, India, Brazil and South Korea with expanded trade routes along the old “Silk Road”). Further Baillie Gifford research focussed on healthcare demands and looking at areas such as harnessing new technologies and delivering better care at lower cost – the sector was also considered well positioned for regulatory change.

For Diversified Growth, the portfolio achieved a 5.5% p.a. net return to 31st March 2017 since initial investment in December 2012. This was slightly ahead of target at 4% (Base Rate + 3.5%). Investments making a significant contribution to DGF performance included: Listed Equities (equity markets were strong as the global growth outlook improved); High Yield Credit (benefitted from a continued search for yield in a low interest rate environment), Active Currency (selected overweight positions in emerging market currencies and a strengthening U.S. dollar helping to generate positive returns); and Emerging Market Bonds (supported by a combination of strong global growth and strengthening emerging market currencies along with progress on structural reforms and a stabilisation of commodity prices). Asset class weightings for the DGF portfolio were also outlined along with Baillie Gifford’s views that global growth expectations are rising, that monetary policy is likely to tighten, that several asset classes are at or above Baillie Gifford’s estimate of fair value; and that market volatility may create opportunities. In regard to stock selection, a Member suggested it more likely for stocks in India and China to grow rather than in Europe; he felt that developed markets were not growing so well and emerging market stocks were exciting.

Given the intention to pay more cash due to the Fund’s cash deficit position and to move investments away from DGF, a Member sought the representative’s thoughts for the future and how it might be possible to achieve the necessary returns without an excessive element of risk. As the Fund would be paying pensions into the next century the representative considered it necessary to continue with some global equities and also acknowledged the Sub-Committee’s proposal to replace DGF with assets providing a similar return for income. Baillie Gifford did not have a Multi-Asset Income Fund product.

7 OUTLINE PROCUREMENT PROCESS FOR FUND MANAGER APPOINTMENTS

Report FSD17042

Members considered a recommended approach for implementing the Pension Fund Asset Allocation Strategy agreed at the Sub-Committee’s previous meeting on 5th April 2017 i.e. no allocation to Diversified Growth Funds, reducing allocations to Global Equities and Fixed Interest, and introducing income generating allocations to Multi Asset Income (MAI) Funds and Property.

Report FSD17042 summarised the current and revised strategic allocations as:

	Current strategic allocation	Actual allocation 31/03/17	Revised strategic allocation	
	%	%	%	£m*
Global Equities	70	77.9	60	566.3
Fixed Interest	20	13.9	15	141.6
Diversified Growth Fund	10	8.2	0	0
Multi-Asset Income Fund**			16.8	158.5
Property**			8.2	77.4
				943.8
* Indicative allocation based on total fund value as at 31st March 2017				
** Allocation to property to equal actual DGF total value as at point of transfer, with the balance to adjust the allocation to MAI				

AllenbridgeEpic had been appointed to manage Fund Manager procurement for the new mandates and a brief Allenbridge report and indicative timeline for the MAI Funds was appended to Report FSD17042. Two Managers were proposed for the MAI Funds to increase diversification and aid performance appraisal.

For Property Funds, Report FSD17042 proposed to initially manage £50m in a pooled property fund with the remaining balance (around £27m based on fund values at 30th March 2017) being managed directly.

For both MAI funds and a pooled property fund a two-stage restricted tender process would be used advertised in the Official Journal of the European Union (OJEU). For both allocations it was proposed to delegate the Director of Finance (in consultation with the Chairman and Vice-Chairman) with authority to agree a shortlist of Fund Managers (to be recommended by AllenbridgeEpic) who would be invited to submit a tender following the PQQ process.

To implement the revised strategy it would be necessary to sell the Diversified Growth Funds and some 18% of assets in Global Equities (based on values at 31st March 2017). A decision on which Global Equities assets to sell was proposed for a later meeting.

The Chairman explained that procurement documentation would include a requirement for the submission of tenders based on 80% quality and 20% price (rather than 70% quality and 30% price). This would convey a particular focus on quality when selecting the Fund Managers. It was intended to complete the procurement process by the end of the calendar year with decisions to be made at the Sub-Committee's meeting on 21st November 2017 and at a special Sub-Committee meeting initially proposed for 12th December 2017.

It was proposed that the allocation be amended to 5% Property and 20% MAI; direct investment in property (approximately £27m) would not then be necessary and the total property element could be managed in a pooled fund (value of some £50m).

A Member also reminded that the MAI funds were not to be weighted with derivatives; neither should the funds rely upon foreign exchange conditions for returns. Members were assured that PQQ documentation would highlight the need to limit use of derivatives. Stocks in futures could also be excluded if necessary. As the volume of MAI assets increased so the level of derivatives would reduce and derivatives would not be used for profit. On foreign exchange conditions, MAI investments could be hedged back to sterling.

Members agreed the recommendations in Report FSD17042 subject to the property allocation being in the range of £50m; having more than one Fund Manager for the MAI assets; having diversification; and having a minimal use of derivatives. Members also agreed that the Sub-Committee's meeting on 21st November 2017 would select Fund Managers for the MAI allocation and Fund Managers for Property would be selected at a special Sub-Committee meeting on 12th December 2017 *(Democratic Services Note: subsequently changed to 14th December 2017).* Careful consideration would be given to timetabling for both meetings.

More generally, Members discussed a preferred start time for future meetings of the Sub-Committee i.e. 7pm or 7.30pm. A vote confirmed that opinion was equally divided and it was agreed to consider the matter again at the Sub-Committee's next meeting.

RESOLVED that:

(1) the contents of the report be noted;

(2) the proposed actions and indicative time-frames attached at Appendix 1 to Report FSD17042 be noted;

(3) the allocation to Property comprise a value of approximately £50m managed through a pooled fund;

(4) mandates be tendered for two Multi Asset Income Funds, and one Property Fund;

(5) the Director of Finance, in consultation with the Chairman and Vice-Chairman, be delegated authority to select the shortlist of managers to be invited to submit a tender following the PQQ process; and

(6) a Special Meeting of the Sub-Committee be held on 12th December 2017 *(Democratic Services Note: subsequently changed to 14th December 2017)* to award the Property pooled fund mandate (paragraph 3.3.3 of Report FSD17042).

The Meeting ended at 8.58 pm

Chairman

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Report No.
FSD17078

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**
Date:	**26th September 2017**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSION FUND PERFORMANCE Q1 2017/18**
Contact Officer:	James Mullender, Principal Accountant Tel: 020 8313 4292 E-mail: james.mullender@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

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1. Reason for report

1.1 This report provides a summary of the investment performance of Bromley's Pension Fund in the 1st quarter of 2017/18. More detail on investment performance is provided in a separate report from the Fund's external advisers, AllenbridgeEpic, which is attached as Appendix 6. Baillie Gifford has also provided a commentary on its performance and on its view of the economic outlook and this is attached as Appendix 3. The report also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements.

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2. RECOMMENDATIONS

2.1 The Pensions Investment Sub-Committee is asked to:

(a) Note the contents of the report;

(b) Consider the comments regarding equity downside protection included within AllenbridgeEpic's report; and

(c) Delegate authority to the Director of Finance to apply to opt-up to elective professional status under MiFID II as detailed in section 3.4.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: Recurring cost. Total administration costs estimated at £4.4m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £38.3m expenditure (pensions, lump sums, etc); £41.9m income (contributions, investment income, etc); £936.6m total fund market value at 30th June 2017)

5. Source of funding: Contributions to Pension Fund

Staff

1. Number of staff (current and additional): 0.4 FTE

2. If from existing staff resources, number of staff hours: c 14 hours per week

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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013, LGPS (Management and Investment of Funds) Regulations 2016

2. Call-in: Call-in is not applicable.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,132 current employees; 5,104 pensioners; 5,307 deferred pensioners as at 30th June 2017

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMMENTARY

3.1 Fund Value

3.1.1 The market value of the Fund ended the June quarter at £936.6m (£943.8m as at 31st March), despite the group transfer payment of £32.1m relating to Bromley College (see section 3.8), and had increased further to £973.1m as at 31st August 2017. The comparable value as at 30th June 2016 was £798.2m. Historic data on the value of the Fund are shown in a table and in graph form in Appendix 1.

3.2 Performance Targets and Investment Strategy

3.2.1 Historically, the Fund's investment strategy was been broadly based on a high level 80%/20% split between growth seeking assets (representing the long-term return generating part of the Fund's assets) and protection assets (aimed at providing returns to match the future growth of the Fund's liabilities). Between 1998 and 2012, Baillie Gifford and Fidelity managed balanced mandates along these lines. In 2012, a comprehensive review of the Fund's investment strategy confirmed this high-level strategy. It concluded that the growth element would, in future, comprise a 10% allocation to Diversified Growth Funds (DGF) and a 70% allocation to global equities, with a 20% protection element remaining in place for investment in corporate bonds and gilts.

3.2.2 The asset allocation strategy was reviewed again during 2016/17, mainly to address the projected cash deficit in future years, and a revised strategy was agreed on 16th May 2017. The revised strategy introduced allocations to Multi Asset Income Funds and Property, removed Diversified Growth Funds, and reduced the allocations to Global Equities and Fixed Income. Tenders for the Multi Asset Income and Property funds are currently in progress and are expected to be completed with presentations to the Sub-Committee on 21st November and 14th December 2017 respectively.

3.3 Summary of Fund Performance

3.3.1 <u>Performance data for 2016/17 (short-term)</u>

A detailed report on fund manager performance in the quarter ened 30th June 2017 is provided by the fund's external adviser, AllenbridgeEpic, in Appendix 6. The total fund return for the first quarter was 2.7% against the benchmark of 0.4%. This compares to an average of 0.7% across the 60 LGPS funds in PIRC's universe. Further details of individual fund manager performance against their benchmarks for the quarter, year to date, 1, 3 and 5 years and since inception are provide in Appendix 2.

3.3.2 <u>Medium and long-term performance data</u>

The Fund's medium and long-term returns have remained very strong overall, with a return of 26.8% for 2016/17 against the benchmark of 24.6%, which was the highest return of the 60 Funds in the PIRC LGPS universe. The Fund's returns over 3, 5, and 10 years were also the highest, and second highest over 20 years.

The following table shows the Fund's long-term rankings in all financial years back to 2005/06 and shows the medium to long-term returns for periods ended 31st March. The medium to long-term results have been good and have underlined the fact that the Fund's performance has been consistently strong over a long period.

Year	Whole Fund Return	Benchmark Return	Local Authority average*	Whole Fund Ranking*
	%	%	%	
Financial year figures				
2016/17	***26.8***	***24.6***	***21.4***	***1***
2015/16	0.1	0.5	0.2	39
2014/15	18.5	16.4	13.2	7
2013/14	7.6	6.2	6.4	29
2012/13	16.8	14.0	13.8	4
3 year ave to 31/3/17	***14.6***	***13.4***	***11.2***	***1***
2013/14	8.4	7.5	6.4	6
2012/13	14.2	12.1	11.1	5
2011/12	2.2	2.0	2.6	74
2010/11	9.0	8.0	8.2	22
5 year ave to 31/3/17	***13.6***	***12.0***	***10.7***	***1***
2011/12	8.8	7.6	7.1	6
2010/11	10.7	9.2	8.8	11
2009/10	48.7	41.0	35.2	2
2008/09	-18.6	-19.1	-19.9	33
2007/08	1.8	-0.6	-2.8	5
2006/07	2.4	5.2	7.0	100
2005/06	27.9	24.9	24.9	5
10 year ave to 31/3/17	***10.0***	***n/a***	***7.0***	***1***
20 year ave to 31/3/17	***8.5***	***n/a***	***7.4***	***2***

*The most recent LA averages and ranking as at 31/03/17 are based on the PIRC LA universe containing 56 of the 89 funds.

3.3.3 Performance Measurement Service

As previously reported, in April 2016, the Council was informed that WM Company (State Street) would cease providing performance measurement services to clients to whom they do not act as custodian, with effect from June 2016. There are currently no providers offering a like for like service, so the Council is using its main custodian, BNY Mellon, to provide performance measurement information going forward. The new service is now live, and has produced the summary of manager performance at Appendix 2. A new provider for LGPS comparator information, PIRC, has emerged and at the time of writing has 60 of the 89 LGPS funds (67%) signed up to the service, including the London Borough of Bromley and 26 other London Boroughs. They have also recently won the contract for the Norfolk County Council framework for Performance Analytics, so it is hoped that the remaining Funds will now sign up. PIRC have produced an Annual Report for 2016/17, and this has been included with the fund manager reports provided to sub-committee members with this agenda.

3.4 MiFID II – Opt-Up to Professional Client Status

3.4.1 The Markets in Financial Instruments Directive II (MiFID II), which comes into force on 3rd January 2018 requires investment firms to assess the categorisation of their clients for investment purposes, except for 'simple' investments such as term deposits with banks and building societies, directly owned properties and a few other types of investments which are outside the scope of MiFID II.

3.4.2 Following the release of a new Policy Statement by the Financial Conduct Authority (FCA) on 3rd July 2017, Local Authorities will be classed as 'Retail' investors by default. This would result in the authority being limited to investments in instruments defined by the FCA as 'non-complex'. Retail investors may also have to pay higher fees for an equivalent investment than professional investors. It is therefore likely that being classed as a Retail investor would result in an overall reduction to the investment return the Council achieves.

3.4.3 However, under the Directive, retail clients are provided more protection than professional clients, such as a suitability report, assessment of appropriateness, level of information provided, services of the Financial Ombudsman Service, the Financial Services Compensation Scheme (although this would not apply to the Council) . It should be noted that the Council is currently classed as a per-se professional client, so doesn't currently have these protections.

3.4.4 To be classed as a professional client for the purposes of Pension Fund investment activities the Council must satisfy both a quantitative test and a qualitative test, the criteria for which are set out below:

- Quantitative: a minimum portfolio size of £10m.

- Qualitative: either:
  - an average 10 significant size transactions per quarter over past 4 quarters in relevant market, or
  - the person carrying out transactions has at least 1 year experience in a professional position requiring knowledge of the services envisaged, or
  - being an administering authority of the Local Government Pension Scheme.

3.4.5 With a current portfolio nearing £1bn the quantitative criteria is clearly not an issue for Pension Fund investments, and the third qualitative criteria, although seemingly automatically satisfied, essentially means that financial institutions can assess the knowledge, experience or expertise of the authority as a collective rather than individual. The Council will therefore need to evidence that sub-committee members have for example received training on investment matters, or have other relevant experience. It is worth noting that each institution is responsible for making their own assessment, so could have different minimum requirements.

3.4.6 In order to opt-up to elective professional status, an assessment questionnaire/application must be submitted to all counterparties it does or may wish to invest with, including investment advisers. The Pensions Investment Sub-Committee is requested to delegate authority to the Director of Finance to submit the relevant requests to opt-up to elective professional status.

3.5 Fund Manager Comments on performance and the financial markets

3.5.1 Baillie Gifford has provided a brief commentary on recent developments in financial markets, their impact on the Council's Fund and the future outlook. This is attached as Appendix 3.

3.6 Early Retirements

3.6.1 Details of early retirements by employees in the Fund are shown in Appendix 4.

3.7 Admission agreements for outsourced services

3.7.1 As part of the Council's commissioning programme, all of its services are being reviewed, which may result in the outsourcing of further services. As a result, both Mears and Creative Support Ltd have now become admitted body employers of within the Fund in connection with the Extra Care Housing contract. Officers are currently liaising with the relevant contractors for contracts relating to both Libraries and IT, in relation to obtaining admitted body status with the London Borough of Bromley Pension Fund. Further updates will be provided in future quarterly performance reports.

3.8 Bromley College/GS Plus Transfers

3.8.1 As previously reported to this sub-committee in May 2016 and February 2017, Bromley College merged with Greenwich Community College on 1st August 2016, and in accordance with the Secretary of State's direction, all assets and liabilities would transfer to the Local Pensions Partnership.

3.8.2 Under the authority delegated by this sub-committee, the Director of Finance, in consultation with the Chairman and Vice-Chairman, and on the advice of Allenbridge, sold £32.1m of the Blackrock global equities fund, and an initial payment of this amount was made on 5th July (based on the Fund value at the end of May 2017). The decision on which fund to sell was made on the basis that global equities was significantly overweight, both against the existing and future strategic benchmarks, and within that class, Blackrock do not have a distributing share class, so would be less suitable for future income requirements. It is worth noting that at 78% of its total value, the Fund is still significantly overweight in global equities.

3.8.3 The Funds' actuaries are currently calculating the final transfer value, to reflect additional cashflows/liabilities in respect of the three pensioners not included in the initial calculation, as well as fund returns in June 2017 (to reflect the total Fund value at the initial transfer date), and a balancing payment will be made between the Funds in due course.

3.8.4 As reported in November 2015, Passenger Transport Services staff transferred to GS Plus on 1st December 2015, and will become members of the Royal Borough of Greenwich Pension Fund. The two fund actuaries are currently finalising the transfer value (estimated at £1.2m as at 31st March 2017), and a transfer payment will be made in due course.

3.9 Fund Manager attendance at meetings

3.9.1 Meeting dates have been set for 2017/18, and no managers will be attending this meeting due to the tenders currently in progress. While Members reserve the right to request attendance at any time if any specific issues arise, the timetable for subsequent meetings is as follows:

Meeting 21st November 2017 – none, meeting to award multi-asset income fund manager(s)
Meeting 14th December 2017 – none, meeting to award property fund manager
Meeting 20th February 2018 – MFS (global equities)
Meeting 22nd May 2018 – Fidelity (fixed income)

4. POLICY IMPLICATIONS

4.1.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1.1 Details of the final outturn for the 2016/17 Pension Fund Revenue Account and the position after the first quarter of 2017/18 are provided in Appendix 5 together with fund membership numbers. A net deficit of £26.1m occurred during 2016/17 (mainly due to the transfer out of Bromley College) and total membership numbers rose by 733. In the first quarter of 2017/18, a net surplus of £0.2m has arisen, and membership numbers increased by 139.

5.1.2 It should be noted that the net deficit of £26.1m includes an accrual of £32.4m for the transfers relating to Bromley College and GS Plus. Had this not occurred, there would therefore have been a surplus of £6.3m. However, this surplus includes investment income of £8.6m which was re-invested in the funds, so in cashflow terms, there would have been a £2.3m cash deficit for the year. Similarly, the £0.2m surplus in the first quarter of 2017/18 would be cash a deficit of £2.8m excluding investment income. As members will be aware, cashflow is one of the main drivers of the recent asset allocation review.

6. LEGAL IMPLICATIONS

6.1.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2013. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) set out the parameters for the investment of Pension Fund monies.

Non-Applicable Sections:	Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications
Background Documents: (Access via Contact Officer)	Monthly and quarterly portfolio reports of Baillie Gifford, Blackrock, Fidelity, MFS and Standard Life.

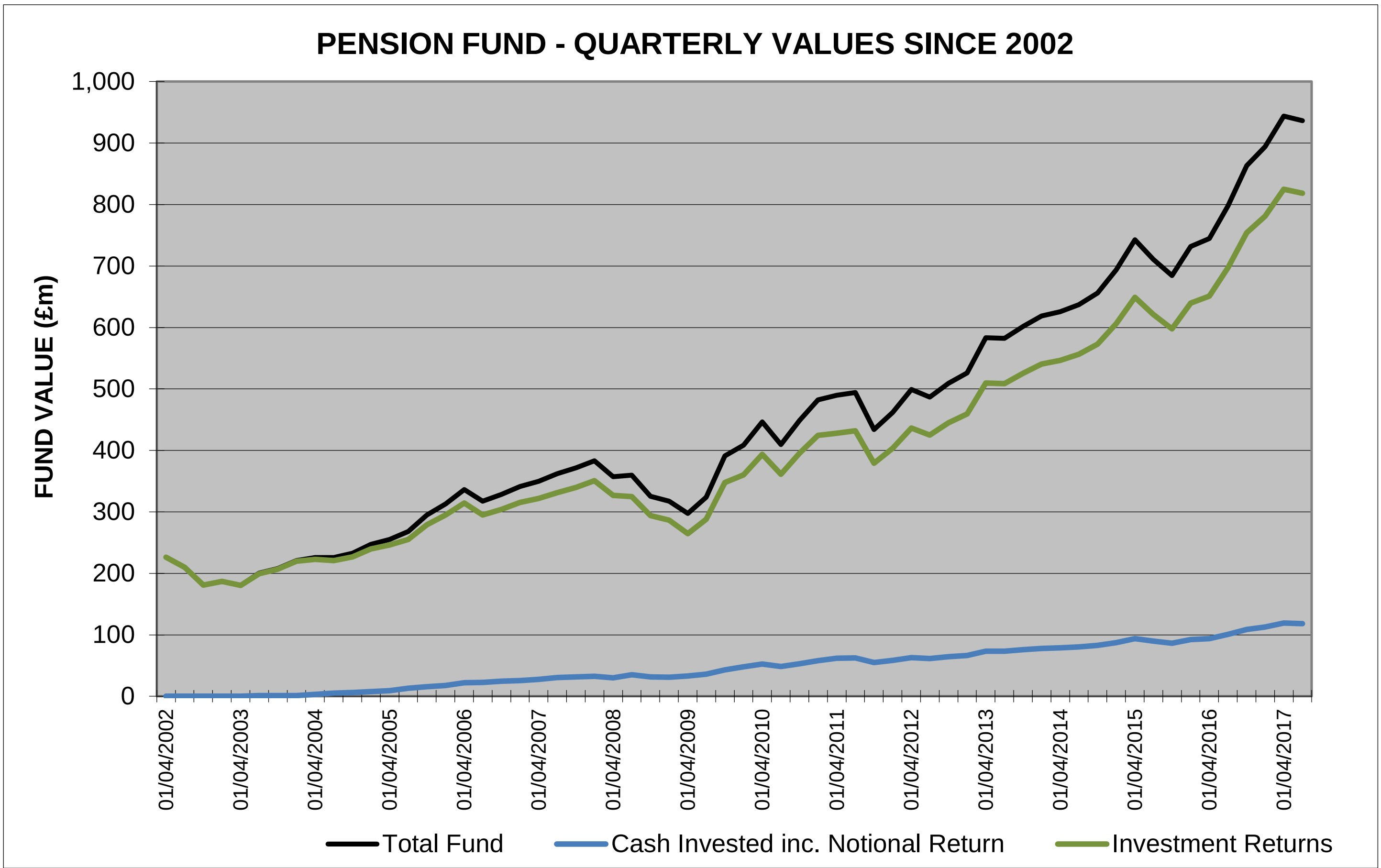
MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

Date	Baillie Gifford Balanced Mandate	Baillie Gifford DGF	Baillie Gifford Fixed Income	Baillie Gifford Global Equities	Baillie Gifford Total	Fidelity Balanced Mandate	Fidelity Fixed Income	Fidelity Total	Blackrock Global Equities	MFS Global Equities	Standard Life DGF	CAAM LDI Investment	GRAND TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31/03/2002	113.3				113.3	112.9		112.9					226.2
31/03/2003	90.2				90.2	90.1		90.1					180.3
31/03/2004	113.1				113.1	112.9		112.9					226.0
31/03/2005	128.5				128.5	126.7		126.7					255.2
31/03/2006	172.2				172.2	164.1		164.1					336.3
31/03/2007	156.0				156.0	150.1		150.1				43.5	349.6
31/03/2008	162.0				162.0	151.3		151.3				44.0	357.3
31/03/2009	154.4				154.4	143.0		143.0					297.4
31/03/2010	235.4				235.4	210.9		210.9					446.3
31/03/2011	262.6				262.6	227.0		227.0					489.6
31/03/2012	269.7				269.7	229.6		229.6					499.3
31/03/2013#	315.3	26.5			341.8	215.4		215.4			26.1		583.3
31/03/2014@	15.1	26.8	45.2	207.8	294.9		58.4	58.4	122.1	123.1	27.0		625.5
31/03/2015		45.5	51.6	248.2	345.3		66.6	66.6	150.5	150.8	29.7		742.9
31/03/2016		44.8	51.8	247.9	344.5		67.4	67.4	145.5	159.2	28.3		744.9
31/03/2017		49.3	56.8	335.3	441.4		74.3	74.3	193.2	206.4	28.5		943.8
30/06/2017		50.1	56.7	351.2	458.0		74.5	74.5	164.8	210.5	28.8		936.6
31/08/2017$		50.8	58.1	371.5	480.4		76.3	76.3	172.5	215.1	28.8		973.1

£50m Fidelity equities sold in Dec 2012 to fund Standard Life and Baillie Gifford DGF allocations.

@ Assets sold by Fidelity (£170m) and Baillie Gifford (£70m) in Dec 2013 to fund MFS and Blackrock global equities.

$ £32m Blackrock global equities sold in July 2017 to pay group transfer value re Bromley College.



PENSION FUND MANAGER PERFORMANCE TO JUNE 2017

Portfolio	Month %	3 Months %	Fiscal YTD %	1 Year %	3 Years %	5 Years %	Since Inception %
Fidelity Fixed Income	-1.82	0.17	0.17	5.35	8.11	11.06	6.90
Benchmark	-1.62	-0.42	-0.42	2.11	7.11	9.03	6.04
Excess Return	-0.20	0.60	0.60	3.24	1.00	2.04	0.86
Baillie Gifford Global Equity	-0.26	4.70	4.70	32.82	18.87	17.05	8.45
Benchmark	-0.12	0.55	0.55	22.90	15.50	14.52	7.65
Excess Return	-0.13	4.14	4.14	9.92	3.37	2.53	0.80
Standard Life DGF	-0.02	1.23	1.23	2.90	1.79		3.15
Benchmark	0.44	1.33	1.33	5.53	5.59		5.81
Excess Return	-0.46	-0.10	-0.10	-2.63	-3.80		-2.66
Baillie Gifford Fixed Income	-0.46	0.69	0.69	4.76	7.29		7.36
Benchmark	-1.39	-0.28	-0.28	2.79	7.21		6.84
Excess Return	0.93	0.98	0.98	1.97	0.08		0.51
Baillie Gifford DGF	-0.39	1.66	1.66	10.88	5.25		5.51
Benchmark	0.31	0.92	0.92	3.77	3.93		4.11
Excess Return	-0.70	0.73	0.73	7.11	1.32		1.40
MFS Global Equity	0.16	2.17	2.17	18.97	18.64		16.87
Benchmark	-0.16	0.38	0.38	22.24	14.88		13.83
Excess Return	0.32	1.79	1.79	-3.27	3.76		3.03
Blackrock Global Equity	0.19	1.86	1.86	26.00	15.86		14.86
Benchmark	-0.12	0.55	0.55	22.90	15.50		14.61
Excess Return	0.31	1.31	1.31	3.10	0.36		0.26
Total Fund	**-0.21**	**2.71**	**2.71**	**21.73**	**14.99**	**14.79**	**8.98**
Benchmark	**-0.36**	**0.40**	**0.40**	**16.58**	**12.73**	**12.68**	
Excess Return	**0.15**	**2.31**	**2.31**	**5.15**	**2.27**	**2.11**	

N.B. returns may differ to fund manager reports due to different valuation/return calculation methods

London Borough of Bromley

Global Equities

Performance to 30 June (%)

	Fund Gross	Fund Net	Benchmark
Five Years (p.a.)*	17.1	16.7	14.5
Since 31/12/2013** (p.a.)	16.7	16.3	15.1
One Year	32.3	31.9	22.9
Quarter	4.6	4.5	0.6

**Balanced mandate prior to December 2013*

Investment Environment and Portfolio

Global equity markets continued to rise despite much less growth in company earnings over several years up to the end of last year. In 2017, however, there has been better news with emerging market and developed market GDP and company earnings all forging ahead. Interestingly, Japan and Europe, out of fashion for some time, have been at the vanguard.

The companies we hold on your behalf are, in the main, performing as we would have hoped. The portfolio has delivered historic earnings growth over the past five years to end March, of 11% per annum. This reinforces our view that, with a broad-based economic recovery underway, the universe of exciting, investable, growth companies is expanding. But it would be remiss of us if we did not remind our clients that headwinds persist for significant chunks of the global index.

Faced with this, we believe that one of the best ways to generate sustainable long-term outperformance is by deploying our clients' capital into businesses that embrace change and that have the vision to look out a decade and more. In this vein, the portfolio has built up sizeable holdings in companies such as Facebook, Alphabet (née Google), Amazon, Alibaba and Ctrip. These platform businesses, benefiting from a winner-takes-all dynamic, have generated extraordinary scale and operational progress in a relatively short period of time. But it's not just scale that marks out these businesses as exciting investments. It is their ability to harness innovation and create new markets where few or none existed before. Facebook sees huge opportunity in the world of virtual reality. Alphabet is spending vast sums on artificial intelligence. And, as for Amazon, its dominance in cloud computing is extraordinary, given that less than a decade ago it was regarded as a mere online bookshop.

Visionary founder chief executives, an ability to commit huge amounts of capital to future growth, and a disparagement of the short-term whims of the market are some of the heady virtues that these platform businesses encapsulate.

But such virtues haven't gone unnoticed. At the time of writing, 30% of the year-to-date returns made by the S&P 500 have come from just four stocks: Apple, Facebook, Alphabet and Amazon (the last three of which are held in your portfolio). Amazon's share price has doubled in the space of 15 months. Facebook's stock has gone up fivefold in four years. Given the strength of the returns that these platform businesses have delivered, the team is now looking hard at their prospects from this point on. Detailed analysis has been undertaken, testing the future upside for both our technology platforms and our Cyclical holdings. This work has recently resulted in a modest reduction to the size of your holding in Amazon. We still retain strong conviction in Amazon's ability to grow for many years to come but the company's valuation, we feel, merits caution.

We've recently taken a holding in A.P. Moller-Maersk, the diversified Danish conglomerate best known for its shipping container business. We like industries where a combination of supply side consolidation and counter cyclical capital allocation allows for fewer disciplined players to generate structurally higher returns. Container shipping is one such market. Maersk offers an enticing combination of structural change, capital discipline and a renewed focus on higher margin business. We have therefore decided to take a holding on your behalf.

Outlook

Dramatic headlines will continue to fixate those of a short-term bent. We anticipate President Trump continuing to contribute to this and there is no shortage of other dramatic and / or gloomy political news. But stepping back from the noise, fundamentals are improving. As long-term stock-pickers we must have the discipline to look through short-term market sentiment and stick to our tried and tested philosophy of investing in high quality growth businesses that can increase their earnings and cash flows at above average rates for sustainable periods of time. We remain confident in both the positioning of the portfolio and the ongoing operational progress of the businesses that we invest in on your behalf.

Diversified Growth

Performance to 30 June (%)

	Fund Net	Base Rate +3.5%
Since Inception* (p.a.)	5.5	4.0
Three Years (p.a.)	5.2	3.9
One Year	11.1	3.8
Quarter	1.6	0.9

*06 December 2012
The Fund's objective is to outperform the UK base rate by at least 3.5% p.a. (net of fees) over rolling five year periods with an annualised volatility of less than 10%.
Source: StatPro, Baillie Gifford

Summary Risk Statistics (%)

Delivered Volatility	4.3

Annualised volatility, calculated over 5 years to the end of the reporting quarter
Source Baillie Gifford

Investment Environment and Outlook

There was plenty to welcome in the second quarter of the year: global growth was strong, corporate earnings rose, inflationary pressures were modest and monetary policy of central banks remained supportive. Add to this dissipating political uncertainty, especially in Europe, and it is not surprising that investment markets continued to deliver positive returns.

One term being used to describe the current state of markets is that we are in a ‘Goldilocks environment’. This is where the combination of growth and supportive policy is not too much, nor too little, but just about right. This is essentially what central banks have been desperately trying to achieve for a number of years, going back to their early interventions following the financial crisis.

It is, however, still a finely balanced picture, illustrated in no small part by the recent statement from the head of the European Central Bank (ECB), Mario Draghi. Whilst the growth outlook in Europe is improving and unemployment is falling, real incomes are also falling as gently rising inflation is taking effect. This prompted Draghi to observe that “deflationary forces have been replaced by reflationary ones”.

We expect the global economy to continue to grow at a pace consistent with the recent rising trend. What could change this? On the positive side, there is still room for the current US administration to introduce expansionary tax and regulatory concessions, as well as increase public spending, especially on infrastructure projects. In Europe, the newly elected French President, Emmanuel Macron, has the potential to re-ignite the domestic economy and also lead an upswing in European sentiment.

There is also a risk that markets are becoming complacent about the low inflation environment when there is a possibility that the output gap may close quickly, driving inflation higher. This may, in turn, result in interest rates rising faster than currently expected.

Portfolio Positioning and Performance

Our general outlook has not changed greatly over the quarter and, as a result, we have not materially altered the shape of the portfolio. Listed equities is one of the asset classes we continue to think offer good prospective returns and we made a small addition to this asset class.

We have shifted some of our emerging market government bond investments from US dollar bonds to local currency equivalents on valuation grounds. Our optimism is based on the attractive level of yields on offer and a supportive backdrop in the form of an improving global growth environment.

Again on valuation grounds, we reduced corporate bond exposure as well as strengthening the hedge against US dollar interest rates rising. As well as this, we added to other hedges, such as protection against the stock market becoming much more volatile.

The return on the Fund in the past three months was 1.6%, net of fees. The key positive contributors during this period were listed equities, property and infrastructure. On the other hand, developed market government bonds and absolute return were the main detractors from performance.

In the year to 30 June 2017, the Fund delivered a net return of 11.1%. Listed equities were again the main contributor to performance. Also performing well were high yield credit, structured finance and emerging market government bonds. The majority of asset classes made a positive contribution, the exception being absolute return..

Fixed Income

Performance to 30 June (%)

	Fund	Benchmark
Since Reorganisation†	5.7	5.7
Since 09/12/13 (p.a.)**	7.4	7.1
One Year	4.0	2.8
Quarter	-0.2	-0.3

* 1/06/2015

** Inception date of bond mandate

† When the fund reorganised on 01/06/2015 the following benchmark has been used for reference purposes only; 88% Sterling Aggregate Benchmark (consisting of 50% FTSE Actuaries All stocks index and 50% Merrill Lynch Sterling Non-Gilt Index), 6% JP Morgan GBI-EM Global Diversified Index un-hedged in Sterling and 6% Barclays Global Credit Index, hedged to Sterling

Source: StatPro

Investment Environment

Bond returns were mildly negative this quarter, as stronger growth encouraged a shift in investment towards riskier equity markets. UK Gilts suffered most from this as they are the lowest yielding market and most at risk should interest rates rise and UK political risk is also seen as having risen thanks to Brexit and the hung Parliament. Corporate bonds and emerging market bonds did quite a bit better, benefiting from the boost that economic growth gives to company earnings and emerging market exports.

The Bank of England is slowly moving towards a rate rise with the influential Chief Economist, Andy Haldane, indicating he is now leaning this way. In addition, UK banks must now put more capital aside against some consumer borrowing. The Federal Reserve is both increasing US rates, the latest quarter point hike announced in June, and also slowly reducing the stock of government bonds directly held as part of the quantitative easing programme. These measures indicate growing confidence that the economic recovery is well advanced and some fears over increased consumer borrowing. The prospect of imminent rate rises propelled bond yields higher in the last weeks of the quarter.

The European Central Bank is much further from reducing economic stimulus. Although there are encouraging signs of economic growth, inflation is still well below a comfortable level. Nevertheless, European Central Bank head Mario Draghi is signalling that he believes the Eurozone is exiting its emergency period and that reflation is taking hold.

Emerging markets have prospered from the Goldilocks economy. Bond yields are much higher and equity valuations less demanding than developed markets. The major political worries of 2016 – Brazilian corruption scandals; Turkey’s constitutional changes; Mexico’s political arm-wrestle with Trump – are all subsiding. Money is flowing into emerging market assets, boosting currency values as it goes.

Positioning and Outlook

We made various changes to the government bond portfolio in the quarter, the main outcome of which has been to reduce bearish positions, that is those which benefit from higher bond yields.

Within currency positioning, the Fund retains an overweight within select emerging markets which are in recovery mode and benefiting from higher growth. During the quarter, the bullish Swiss franc position was closed and we reduced the underweight in the euro as geopolitical risks receded. The overweight in the US dollar was halved as less fiscal stimulus has materialised since Donald Trump was elected than was originally expected. We made relatively few changes to the corporate bond portfolio which has been performing well.

The market does not believe that the Federal Reserve will raise interest rates anything like as much as the Fed itself is indicating. There is little sign of inflation brewing: wage growth has stalled and credit growth is minimal. In Europe, we expect the decent economic growth of recent months to continue. However, there is much slack in the system and it will be some time before this improvement translates to higher inflation.

In credit markets, we had reduced our positions in weaker-rated bonds earlier in the year, mainly on valuation grounds. That still left us with portfolios which were slightly riskier than underlying benchmarks, with concomitantly higher yield. Scanning the investment horizon, we see the odd dark cloud, however, these early warning signs do not look likely to translate into imminent trouble.

EARLY RETIREMENTS

A summary of early retirements and early release of pension on redundancy by employees in Bromley's Pension Fund in the current year and in previous years is shown in the table below. With regard to retirements on ill-health grounds, this allows a comparison to be made between their actual cost and the cost assumed by the actuary in the triennial valuation. If the actual cost of ill-health retirements significantly exceeds the assumed cost, the actuary will be required to consider whether the employer's contribution rate should be reviewed in advance of the next full valuation. In the last valuation of the Fund (as at 31st March 2016), the actuary assumed a figure of 1.2% of pay (approx. £1.2m p.a from 2017/18), compared to £1m in the 2013 valuation, and £82k p.a. in the 2010 valuation. In 2014/15, there were seven ill-health retirements with a long-term cost of £452k, in 2015/16 there were nine with a long-term cost of £1,126k, in 2016/17 there were six with a long-term cost of £235k, and in the first quarter of 2017/18 there were three with a long-term cost of £367k. Provision has been made in the Council's budget for these costs and contributions have been and will be made to reimburse the Pension Fund, as result of which the level of costs will have no impact on the employer contribution rate.

The actuary does not make any allowance for other (non-ill-health) early retirements or early release of pension, however, because it is the Council's policy to fund these in full by additional voluntary contributions. In 2014/15, there were 19 non ill-health retirements with a total long-term cost of £272k, in 2015/16 there were 23 with a total cost of £733k, in 2016/17 there were 22 with a total cost of £574k, and in the first quarter of 2017/18 there were two with a long-term cost of £130k. Provision has been made in the Council's budget for severance costs arising from LBB staff redundancies and contributions have been and will be made to the Pension Fund to offset these costs. The costs of non-LBB early retirements have been recovered from the relevant employers.

Long-term cost of early retirements	**Ill-Health**		**Other**	
	No	£000	No	£000
Qtr 1 – Jun 17 - LBB	2	152	1	45
- Other	1	215	1	85
- Total	3	367	2	130
Actuary's assumption - 2016 to 2019		1,200 p.a.		N/a
- 2013 to 2016		1,000 p.a.		N/a
- 2010 to 2013		82 p.a.		N/a
Previous years – 2016/17	6	235	22	574
– 2015/16	9	1,126	14	734
– 2014/15	7	452	19	272
– 2013/14	6	330	26	548
– 2012/13	2	235	45	980
- 2011/12	6	500	58	1,194

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2016/17 £'000's	Estimate 2017/18 £'000's	Actuals to 31/06/17 £'000's
INCOME			
Employee Contributions	6,219	6,300	1,397
Employer Contributions			
- Normal	20,881	17,000	4,061
- Past-deficit	6,009	7,580	525
Transfer Values Receivable	3,161	2,000	764
Investment Income	8,610	9,000	2,996
Total Income	44,880	41,880	9,743
EXPENDITURE			
Pensions	26,061	26,800	6,679
Lump Sums	5,578	5,500	1,406
Transfer Values Paid	35,096	1,500	386
Administration			
- Manager fees	3,344	3,500	812
- Other (incl. pooling costs)	853	870	261
Refund of Contributions	84	80	22
Total Expenditure	71,016	38,250	9,566
Surplus/Deficit (-)	-26,136	3,630	177

MEMBERSHIP	**31/03/2017**	**30/06/2017**
Employees	6,076	6,132
Pensioners	5,070	5,104
Deferred Pensioners	5,258	5,307
	16,404	16,543

Allenbridge

REPORT PREPARED FOR

London Borough of Bromley

Pension Fund

7 August 2017

This quarterly report by your adviser, Alick Stevenson of AllenbridgeEpic Investment Advisers ("Allenbridge"), provides a summary of performance and an analysis of the investments of the London Borough of Bromley Pension Fund for the three months ending 30 June 2017.

Executive Summary for the Quarter ended 30 June 2017

- **The fund value fell to £936.6m as at 30 June 2017, from £943.8m at 31 March 2017 as a result of the £32.1m transfer of Bromley College assets to another fund, (otherwise the figure would have risen to £968.7m). The corresponding figure for 30 June 2016 was £798.2m.**

- **The total fund had an investment return of 2.71% for the quarter, significantly ahead of the benchmark of 0.4%. For the twelve months the fund was also ahead with a return of 21.73% v 16.58%. Over the longer and more meaningful periods the fund returned 15.0%pa (12.7%pa) for the three years and 14.8%pa (12.7%pa) for the rolling five year period.**

- **Once again the majority of the growth in value came from the three global equity managers who benefited once again this quarter as equity stock markets continued to perform positively. Despite losing £32.1m in assets to fund the Bromley College transfer, BlackRock still had a modest positive investment performance. Both fixed income and DGF portfolios saw a very modest improvement in asset values.**

- **As far as the strategic or long term asset allocations are concerned, the fund continues to remain overweight equities (77.6% v 70%), has moved slightly away from the strategic asset allocation for DGF assets (8.4% v 10.0%) and remains underweight fixed income (14.0% v 20.0%)., The percentage changes in DGF and Fixed interest are more as a result of the strength of the Equity portfolio than a diminution in value of the other asset classes.**

- **Assets relating to the transfer of Bromley Academy (£32.1m approx) were transferred out of the LBB Pension Fund during the quarter. Funding for the transfer came from the BlackRock global equity portfolio. Despite this transfer the fund remains overweight equities against its strategic benchmark.**

Market Commentary for the Quarter ended 30 June 2017

"Wide diversification is only required when investors do not understand what they are doing"

Warren Buffett American Investor

Most of the newspaper and media headlines concerned politics in the second quarter, with monetary matters not even a close second. France elected Macron as their new President and saw off the far left challenge of Le Pen. In the USA President Trump continued to "make policy" on the hoof albeit to little visible effect, although his "Twitter" based war of words with the Washington press camp seems to continue unabated.

In the UK, Teresa May gambled on a snap General Election to increase her majority and subsequently had to form an alliance with the DUP in order to continue to govern. This latter only served to increase uncertainties over BREXIT and indeed, how likely was it that the Conservative Party would continue in government? Thus, the UK stock market and sterling suffered mixed impacts.

Globally, Central Banks have been talking from differing scripts which, on the one hand, seemed to suggest a beginning of an end to QE and a gradual tapering off of market assistance and on the other, a continuance of bond buying programmes in the face of weak growth. These mixed messages caused some confusion in the bond markets with a sharp uptick in bond yields. However, whilst these caused some temporary confusion in these markets overall, the quarter ended with both equities and bonds broadly flat for the three months. It is possible that the long period of "easy and cheap" money provided by the Central Banks might be coming to an end and that a gradual raising of interest rates may be in the offing.

In last Quarter's Market Commentary, I referred to the various "economic elephants" in the room. They are all still there, but have now been joined by the UK political situation and the Conservative dependence on the DUP to remain in office.

We should remain very aware that it takes only one elephant to cause a stampede.

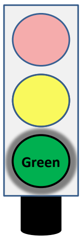
Fund Value as at 30 June 2017

Manager Name	Asset Class	**Value 30-Jun-17 £m**	**Actual % of Fund**		Value 31-Mar-17 £m	**Actual % of Fund**	Strategic Asset Allocation %
Baillie Gifford	DGF	**50.1**	**5.3**		49.3	**5.2**	
Standard Life	DGF	**28.8**	**3.1**		28.5	**3.0**	
Sub total DGF		**78.9**	**8.4**		77.8	**8.2**	10.0
Baillie Gifford	Global E	**351.2**	**37.5**		335.3	**35.5**	
BlackRock***	Global E	**164.8**	**17.6**		193.2	**20.5**	
MFS	Global E	**210.5**	**22.5**		206.4	**21.9**	
Sub total GE		**726.5**	**77.6**		734.9	**77.9**	70.0
Baillie Gifford	Fixed Int	**56.7**	**6.1**		56.8	**6.0**	
Fidelity	Fixed Int	**74.5**	**8.0**		74.3	**7.9**	
Sub total FI		**131.2**	**14.0**		131.1	**13.9**	20.0
Fund Totals		**936.6**	**100.0**		943.8	**100.0**	100.0

source: Baillie Gifford, BlackRock, Fidelity, MFS, Standard Life

***** please refer to separate note within Blackrock Quarterly Review on Page 10**

The Fund for the quarter ended 30 June 2017



Fund investment performance for the quarter ended 30 June 2017

The fund returned 2.7% for the quarter which was 2.3% ahead of the benchmark.

For the twelve months the fund was also ahead of the benchmark with a return of 21.7% v 16.6%. Over the longer and more meaningful periods the fund returned 15.0%pa (12.7%pa) for the three years and 14.8%pa (12.7%pa) for the rolling five year period.

The new LAPF performance measurement service has provided a short overview of the investment performance of the Local Authority Pension Funds for the year ended 31 March 2017. The key highlights are:

The fund returned 26.8% for the year ended 31 March 2017 ranking Bromley in the top percentile.

- Asset allocation dominated the return outcomes
- The best performers were invested in growth assets
- The lowest returns came from funds with more defensive asset allocations
- Bromley has a relatively high exposure to equities and relatively underweight in property and alternatives compared to other LGPS members
- In this period the asset allocation adopted by Bromley had a favourable effect on performance
- *The fund has performed well ahead of its peers over the medium term*

Members should note that the current reallocation of growth assets towards income generating assets funded out of the equity and DGF portfolios will, over time, reduce the absolute level of investment performance as cash is paid out.

Equity Downside Protection

At a recent meeting with LBB Officers, Mercer raised the above topic given the relatively high level of equities within the LBB Pension Fund portfolio, advising that equity markets were at or near their recent peaks and any significant fall could impact not only the value of the Fund, but actuarially, the funding level and thereby, potentially, the level of employer contributions.

The LBB Pension Fund has a relatively high exposure to equities, although this is being reduced in the short term, firstly by the transfer of £32.1m of equity value representing the Bromley College assets, and secondly by the transfer of equities and diversified growth funds into multi asset income funds (“MAI”) and property, both transfers due to be completed in 4th Quarter 2017 and 1st Quarter 2018.

In addition, and a longer term disinvestment programme, the allocation to MAI or other income generating funds will increase over time as demands on assets to meet liability payments increases.

Taking protection by way of equity futures/options over part of the equity portfolio, is one way of limiting the downside risk, without needing to sell any holdings.

The PISC decision to use global equity assets to fund the move of Bromley College out of the Fund brings the fund nearer to its long term strategic objective, in parallel the appointment of Multi Asset Income and property managers later in the year, will also reduce the absolute level of equities.

One of the issues with buying "downside" protection, is that it requires market timing and the availability of a future or option which closely matches the equity assets held by the fund. Both Baillie Gifford and MFS manage active global equity mandates and as such these assets deviate significantly from the MSCI ACWI global equity index against which they are measured for investment performance requirements. Thus any "hedge" would only cover those assets held within the MSCI ACWI Index and only at their index weightings

Market research confirms that there is no single global equity future or option available, rather, a fund seeking to protect assets would need to agree to create a "basket" of derivatives including, but not necessarily limited to, the S & P 500, Topix, FTSE 350, Euro Stoxx 50, Hang Seng and Nikkei.

For any derivatives traded directly, the Fund ("LBB") would need to set up a derivatives account with the futures clearer possibly the custodian or other institution. There would be a requirement to post an initial margin typically 4-8% of the notional hedge, subject to change should the value of the notional hedge change due to market movements. LBB would need to fund this with cash and would receive cash back should the hedge move in the funds favour. Conversely the fund would need to increase the amount should the hedge move against the fund. All these movements are funded by cash transfers with calls requiring disposal of assets at short notice.

There may be technical difficulties in using a broker to execute derivative trades as they have long memories of LGPS driven law suits dating back to the 1980's and would need to be convinced that Members of the PISC were fully knowledgeable, understood the reasons for the use of derivatives in this fashion and were capable of making appropriate timing decisions on these protective hedges.

"Opting Up" also raises the bar in terms of investment knowledge and this issue should be considered by members of the PISC when considering this "hedging" opportunity.

Unless there is a strong conviction, amongst members of the PISC to move this forward, Allenbridge would recommend a review of the actual asset allocations, once the MAI and property mandates have been confirmed and funded. Should there continue to be a significant overweight position which could negatively impact funding levels in the event of as significant market decline, then a further discussion on long term strategic asset allocations should be opened by the PISC.

Fund Governance and Voting

Voting and governance matters are covered in detail within the various Investment Manager reports provided to the members under separate cover.

Market statistics for the quarter and rolling 12 months ended 30 June 2017

EQUITIES Total return	3 months %	12 months %
MSCI World	0.4	22.2
MSCI World ex USA	2.0	24.5
S & P 500	-0.8	21.3
MSCI UK	0.8	16.7
MSCI Europe ex UK	4.8	29.0
MSCI AsiaPac ex Japan	2.3	28.9
MSCI Japan	1.3	23.1
MSCI All Emerging	2.4	27.8

Best Performing Sectors	3 months %	12 months %
Information Technology	2.6	39.5
Financials	1.1	37.3
Materials	-1.6	28.1
Industrials	1.6	25.6
Consumer Discretionary	.0.2	24.0

Worst Performing Sectors		
Health Care	2.9	12.8
Consumer Staples	0.1	7.3
Utilities	-0.3	6.4
Energy	-8.5	3.2
Telecom Services	-4.1	0.6

FIXED INCOME Total return	3 months %	12 months %
FTSE Index Linked	-2.3	6.7
FTSE all Gilts	-1.3	-0.9
J P Morgan Global Sov	-1.2	-1.6
Bofa ML Corp >10yr IG	..4	6.7
ML HY constrained	-0.7	15.7

Inflation Indicators YOY%	As at 30-Jun-17	As at 30-Jun-16
UK RPI	3.7	1.6
UK CPI	2.9	0.5
US Core CPI	1.7	2.2
Euroland CPI	1.4	0.1

Other Assets	3 months %	12 months %
LIBOR 1 month	0.3	0.3
LBMA Gold Bullion	-0.5	-6.9
Brent Crude	-9.8	-14.8
IPD property Index	2.4	4.2
HFRI Index	-2.3	19.6

Sources: Datastream and Newton

INVESTMENT MANAGER REVIEWS

Global Equity Portfolios

Baillie Gifford Global Alpha (segregated)

This portfolio was funded as at 20 December 2013 with a performance objective to outperform the MSCI ("ACWI") All Country World Index by 2-3% pa (before fees) over rolling five year periods. This measurement commenced from 31 December 2013).

(The Fund was closed to prospective investors at the beginning of 2015 but remains open for additional funding from existing clients). Baillie Gifford are one of several investment managers that have been appointed to the London CIV and are currently appointed, with other managers, for both Global Equity and DGF mandates.

Rolling one year turnover was the same as the previous quarter, at 9.0%, implying an average holding period in excess of seven years, a recognition that Baillie Gifford continues to focus on the long term and prefer to look through the short term gyrations except when they see stock purchasing opportunities.

Baillie Gifford operate a long term growth investment strategy which aims to overcome short term political statements by buying and holding stocks across the world which exhibit long term fundamental strengths.

The portfolio statistics were little changed from the previous quarter. The fund was invested across 24 (24) countries and held 99 (96) different investments. These investments were spread over 10 (10) sectors and encompassed 37 (37) differing industries, thus providing a broadly diversified set of assets. It is worth noting that the active money within this portfolio is continuing to run at a very high level of around 92% (92%). This "active money" ratio confirms that the fund is not holding benchmark or index weightings relating to stocks making up the index and reflects the active stock picking philosophy of the manager and its long term nature. During the quarter the manager added four new stocks and sold out of Ferrari NV, Intuitive Surgical and Monsanto.

For the quarter, the fund had a net investment return of 4.5%, some 3.9% ahead of the benchmark. Since the portfolio reorganisation in December 2013, the fund has returned 16.5%pa against a benchmark of 14.2*%pa. (All returns shown are net of fees).*

The portfolio remains ahead on 3 and 5 year measures, and since inception in December 1999 has returned a net 8.1%pa against the benchmark of 6.9%pa.

The "active money" style (stock picking) is clearly demonstrated with the top ten holdings continuing to accounting for slightly under 29% of the total portfolio, in line with the previous quarter (29%). Amazon 4.1% (4.6%), Naspers with 3.7% (3.2%) and Royal Caribbean Cruises 3.5% (3.4%) hold the top three positions, with Prudential Corp at 3.4% (3.4%) dropping back to fourth position.,

Alphabet Inc, Anthem Inc, Alibaba and AIA Group take the eighth, ninth and tenth positions with 2.2%, 2.1% and 2.1% respectively.

BlackRock Ascent Life Enhanced Global Equity Fund (pooled)

This portfolio was funded as at 20 December 2013 and has a performance objective: to outperform the MSCI ACWI by 1-2% per annum whilst managing risk relative to the benchmark.

The manager can invest across the whole of the MSCI ACW Index and, as a result, held 663 stocks (729) at the end of the quarter and delivered a net investment return for the quarter of 1.5% against 0.4% for the index. For the rolling twelve months the manager remains behind the benchmark at *25.4% (benchmark 22.2%).* Over the three year rolling period the fund is slightly ahead at 15.7%pa versus the benchmark of 14.9%pa and since inception, has a positive net return of 14.9%pa against its benchmark of 14.6%pa.

In terms of country allocations, the manager has maintained a near neutral position in most major markets, although it is slightly underweight in the UK and USA.

Sectorally, the fund has remained marginally overweight in Healthcare, stayed underweight in Financials, and has remained overweight InfoTech. During the quarter the fund moved to a significantly underweight position in Consumer Staples (previously overweight), but remained overweight Consumer Discretionary.

The top ten stocks have moved around since last quarter, with Johnson & Johnson now in pole position at 1.6%, Alphabet (C) Inc, Comcast and Alphabet (A) take the next three slots with 1.1% each. The top ten stocks continue to account for some 11.3% (11.1%) of the overall BlackRock portfolio.

The decline in value of the BlackRock portfolio is due to the sale of approximately £32.1m of equities to fund the transfer of Bromley College assets.

MFS Global Equity Fund (segregated)

This portfolio was funded as at 18 December 2013 and has a performance objective to outperform the MSCI world index (net dividends reinvested) over full market cycles.

MFS is currently invested in 13 (13) countries and has 109 (109) holdings. This contrasts with the benchmark of 1,656 (1,650) holdings spread across 23 countries.

For the quarter the fund returned 1.9% net against its benchmark of 0.1% for an out performance of 1.8 %. Over the rolling twelve months the fund had a return of 18.3% against a benchmark of 15.3%, a good result in markets which currently favour growth rather than value stocks. Since inception the fund has returned 16.7%pa (net) against the benchmark of 14.5% pa.

The out performance of 1.8% for the quarter was due to sector and stock selection, albeit somewhat reduced by some negative stock contributions.

A look through the country and sector weights shows that the fund remained underweight North America (56.0% v 59.3%) and Asia Pacific ex Japan (1.0% v 4.5%), and has maintained its overweight positions in Europe ex UK at +3.3% (+2.9%), and Japan 1.2% (+1.7%). In the UK the neutral position from last quarter has remained marginally underweight at 0.1%. The fund continues to run a small +1.6% overweight in emerging markets.

Sectorally, the fund has again maintained its significant overweight position in Consumer Staples (19.3% v 9.7%), with smaller over-weights in Industrials at+5.3% (+5.0%) and Financials +2.6% (+2.4%). These over weights are being "funded" by underweight positions in Consumer Discretionary -6.5% (-6.1%), Utilities, where the manager has a zero weighting (-3.2%) and Energy -3.1%(-3.4%).

In terms of top ten holdings, Nestle (2.8%), Johnson & Johnson at 2.4% and JP Morgan Chase with 2.3% are the three largest, with Wells Fargo with 1.8%, KIDDI Corp and Deutsche Wohnen both at 1.7% in eighth, ninth and tenth positions.

Global Equity Crossholdings

There are two crossholdings within the aggregated top ten holdings of the three global equity managers this quarter. MFS and BlackRock both hold Johnson & Johnson for a total value of £7.0m. BlackRock and Baillie Gifford both hold Alphabet (C) (nee "Google") for a total value of £4.1m. These values translate to just 1.5% of the global equity portfolio and just 1.2% of total fund assets.

Diversified Growth Funds

Overall, the make-up of the Baillie Gifford fund has not changed significantly over the quarter. The manager has added slightly to its holdings in sovereign debt, funded by reducing holdings in high yield bonds.

In contrast, Standard Life holds over half of its assets in derivative based investments backed by cash, with just over 2/3rds of the portfolio invested in relative value and directional investment strategies.

Baillie Gifford

This mandate was funded on 8 December 2012 and has a performance objective to outperform UK base rate by at least 3.5% pa (net of fees) over rolling five year periods and with an annualised volatility of less than 10%.

For the 12 month period the portfolio has returned 11.1% against the benchmark of 3.8%. For this quarter the fund had a positive return of just 1.6% versus the benchmark of 0.9%. Since inception, the fund has delivered a return of 5.5%pa **(net of fees)** against its performance target of 4.0%pa.

The manager made few significant changes to the asset allocations within the fund; the exceptions being a small increase in equities to 20.0% (18.3%) and in High Yield Bond assets down to 8.4% (9.9%), cash holdings slightly rose to 8.8% (7.4%). It is worth noting that exposure to high yield bonds has been cut back over the last two quarters from 12.7% to 8.4% with some of those funds being reinvested in emerging market debt. The majority of the other changes in asset class values are primarily due to relative value impacts and reflect the differing investment performance of the various asset classes over the quarter.

One of the primary directives for the fund, and one closely followed, is to keep volatility within target. At the end of the quarter the current figure of 4.0% was 0.1% lower than the previous quarter and less than half of the upper ceiling of 10%.

Standard Life Global Absolute Return Fund

This mandate was funded on 7 December 2012 and has a performance objective to achieve +5% per year (gross) over 6 month LIBOR over rolling three year periods with expected volatility in the range of 4% to 8%pa.

The manager has reported a nominal positive performance for the quarter of +0.1% but remains in negative territory for the rolling twelve months down -2.6% against its performance target of +5.5%. . Since inception, the fund has generated a positive return (net of fees) of 3.2% pa, although this return significantly behind the Bromley Pension Fund actuarial target return of 5.6%pa.

The lack of volatility in equity and bond markets during the quarter contributed little to the poor investment return. Overall the investment allocations held at the end of 1Q 2017 remained almost exactly the same at the end of this quarter.

The table on Page 10 highlights the asset allocation differences between Baillie Gifford and Standard Life in sourcing investment returns.

		Baillie Gifford	Baillie Gifford	Standard Life	Standard Life	Total DGF	Total DGF
		%	£m	%	£m	£m	%
Value at 30 June 2017			50.1		28.8	78.9	
Asset Class							
Global equities		20.0	10.0	31.2	9.0	19.0	24.9
Private equity		0.9	0.5			0.5	0.6
Property		7.4	3.7			3.7	4.8
Global REITS				8.9	2.6	2.6	3.4
Commodities		0.0	0.0			0.0	0.0
Bonds							
High yield		8.4	4.2	4.3	1.2	5.4	7.1
Investment grade		3.2	1.6	10.2	2.9	4.5	5.9
Emerging markets		14.8	7.4			7.4	9.7
UK corp bonds						0.9	1.2
EU corp bonds				3.3	1.0	0.9	1.2
Government		7.6	3.8			3.8	5.0
Global index linked							
Structured finance		9.3	4.7			4.7	6.1
Infrastructure		7.7	3.9			3.9	5.0
Absolute return		6.9	3.5			3.5	4.5
Insurance Linked		3.7	1.9			1.9	2.4
Special Opportunities		0.7	0.4			0.4	0.5
Active currency		0.1	0.1			0.1	0.1
Cash		9.3	4.7			4.7	6.1
Cash and derivatives				42.1	12.1	12.1	15.9
Total		100.0	**50.1**	100.0	**28.8**	**76.5**	104.3

numbers may not add due to roundings

Source: Baillie Gifford and Standard Life

Fixed Income

Baillie Gifford Fixed Income Alpha Plus

This mandate was reorganised on 1 June 2015 and now has a reference benchmark comprising 44% Gilts, 44% Sterling non gilts, 6% global corporate bonds and 6% emerging market bonds. The manager's objective is to outperform this benchmark over rolling three year periods.

For the quarter, the fund had a small negative return of 0.2% just 0.1% ahead of the benchmark of -0.3%. Since the original inception date of 9 December 2013, the fund has generated a return of 7.4% pa exceeding the benchmark of 7.1% pa. Since the reorganisation in June 2015 the fund has delivered benchmark performance with a return of 5.7%pa versus 5.7%pa.

From a credit rating perspective the fund moved marginally overweight benchmark levels with AAA rated bonds (9.4% v 9.1%), with a total of 93.5% (98.8%) invested in investment grade bonds.
High yield bonds, (below investment grade), have an unchanged overweight position of 2.8% (3.1%) to the index and are comprised largely of bonds rated BB which have lost their "BBB" rating, but in the opinion of the manager have the ability to regain that rating. The manager does not invest in "C" rated bonds.

Regionally, the fund has remained underweight the UK at -10.3% (-8.5%) to the benchmark and over-weight the US at +9.1% (+8.1%) to the benchmark. Looked at by sector the fund has remained underweight sovereign debt -11.3% (-10.0%) and Utilities -0.8% (-1.2%) with corresponding over-weights in Industrials +2.4% (+3.3%) and Securitised loans +4.2% (+5.0%)

In terms of active money, those positions larger than the benchmark allocation, the manager continues to hold +2.7% in Annington Finance, 2.2% in KFW 5% 2036 and a new investment in Vonorovia at 1.7%.

Overall, the fund's duration has moved into line with the benchmark at 9.1 years.

Fidelity Global Aggregate Fixed Income Portfolio

This portfolio was funded in April 1998 and has a performance objective to outperform by 0.75% pa (gross of fees) an IBoxx composite benchmark of 50% Gilts and 50% £ Non Gilts over rolling three year periods.

The fund outperformed the benchmark during the quarter with a return of -0.2% (gross of fees) against the benchmark of -0.4%. Over the rolling three years, the fund is ahead of the benchmark by 0.9% pa (8.0%pa v 7.1%pa). Since inception (30 April 1998) the manager has outperformed the benchmark by 0.9% pa with a return of 6.9% pa.

In terms of credit quality, the fund remains slightly under 90% (88%) invested in investment grade bonds, albeit underweight the index in AA bonds (fund 50.6% v 57.3%), and has 22.8% (21.9%) invested in BBB rated bonds. The manager's holdings in high yield bonds has been cut back to 4.7% (6.4%) with the remaining 4.8% (4.8%) in a mix of cash and unrated investments.

There have been some changes during the quarter, with the sectoral allocation to US treasury assets increasing slightly to 39.9% (36.6%) of the portfolio. Overweight positions in the Financial Services (+6.1%), Insurance (+5.1%) and the Basic Industry (+0.7%) sectors are offset by underweights in Treasuries (-10.1%), Supranationals and Sovereign Assets (-4.6%) and Consumer non cyclicals at (-2.2%).

The portfolio is tracking benchmark duration of 9.8 years and has a running yield of just 2.5% (2.6%)

Alick Stevenson

Senior Adviser

AllenbridgeEpic Investment Advisers Limited

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Report No.
FSD17079

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**
Date:	**26th September 2017**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSION FUND ANNUAL REPORT 2016/17**
Contact Officer:	James Mullender, Principal Accountant Tel: 020 8313 4292 E-mail: james.mullender@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

1. <u>Reason for report</u>

1.1 This report introduces the annual report and accounts of the Bromley Pension Fund for the year ended 31st March 2017, which the Council is required to publish under the Local Government Pension Scheme Regulations 2013. In accordance with the regulations, the annual report includes a number of stand-alone documents that require the approval of the Sub-Committee (the Governance Policy Statement – pages 30 to 31 of the Annual Report, the Funding Strategy Statement – pages 54 to 65, the Investment Strategy Statement – pages 66 to 70 and the Communications Policy Statement – pages 71 to 73). The annual report (attached at Appendix 1) has been audited by the Fund's external auditor, KPMG LLP and a statement from KPMG is included on page 38 of Appendix 1. In accordance with the regulations, the Council will publish the Annual Report on its website by 1st December 2017.

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2. RECOMMENDATIONS

2.1 The Sub-Committee is asked to:

(a) Note and approve the Pension Fund Annual Report 2016/17;

(b) Approve the Governance Policy Statement and Communications Policy Statement as outlined in paragraph 3.2;

(c) Approve the changes to the Funding Strategy Statement and Investment Strategy Statement as set out in paragraph 3.3; and

(d) Agree that arrangements be made to ensure publication by the statutory deadline of 1st December 2017.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: Recurring cost. Pension Fund audit fee £21,000 in 2016/17. Total administration cost £4.20m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £39.3m expenditure (pensions, lump sums, etc); £41.9m income (contributions, investment income, etc); £943.8m total fund market value at 31st March 2017)

5. Source of funding: Contributions to Pension Fund

Staff

1. Number of staff (current and additional): 0.4 FTE

2. If from existing staff resources, number of staff hours: c 14 hours per week

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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013, LGPS (Management and Investment of Funds) Regulations 2016

2. Call-in: Call-in is not applicable.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,076 current employees; 5,070 pensioners; 5,258 deferred pensioners as at 31st March 2017

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMMENTARY

3.1 The Pension Fund is required by the Local Government Pension Scheme Regulations 2013 to publish an Annual Report and Statement of Accounts. The Regulations set out what is to be included within the report and require the report to be published by 1st December. Furthermore, the Regulations require an administering authority to have regard to guidance given by the Secretary of State and the Fund has complied fully with the Regulations and guidance. The Annual Report for 2016/17 is attached at Appendix 1.

3.2 In accordance with the Regulations, the Annual Report includes four separate documents that require the approval of the Sub-Committee. These are:

- Governance Policy Statement (published in accordance with Regulation 55 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 30 to 35 of the Annual Report;

- Funding Strategy Statement (prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 54 to 65 of the Annual Report;

- Investment Strategy Statement (produced in accordance with Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016). This can be found on pages 66 to 70 of the Annual Report; and

- Communications Policy Statement (required by Regulation 61 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 71 to 73 of the Annual Report.

The Governance and Communications Policy statements were approved by the Sub-Committee on 21st September 2016, and the Investment Strategy and Funding Strategy Statements were both approved on 22nd February 2017. In accordance with the Regulations, these statements are kept under review. No changes are currently being proposed to the Governance and Communications Policy statements, and members are therefore requested to formally re-approve these statements.

3.3 To reflect the changes to the Asset Allocation Strategy in April 2017, members are requested to approve the changes to the Investment Strategy Statement and Funding Strategy Statement as set out in Appendix 2. No other changes are proposed at this time.

3.4 The Bromley Pension Fund had total net assets of £913.4m as at 31st March 2017 (£748.0m as at 31st March 2016). The Fund Accounts and Net Assets Statement can be found on pages 36 to 52 of the Annual Report.

3.5 Fund performance was reported quarterly to the Sub-Committee during 2016/17 and the Fund outperformed its benchmark by 2.2% over the year (+26.8% against a benchmark return of +24.6%). Performance compared to the 60 LGPS funds in the PIRC local authority universe (average return of +20.2%) was excellent, ranking in the 1st percentile for the year (1% being the best and 100% being the worst). Rankings over the medium and long term were also excellent – 1st over 3, 5 and 10 years, and 2nd over 20 years to March 2017. Details of investment policy and performance are set out on pages 13 to 17 of the Annual Report.

3.6 Total membership of the fund reduced from 16,605 as at 31st March 2016 to 16,404 as at 31st March 2017, when it comprised 6,076 employees, 5,070 pensioners and 5,258 deferred members. Payments into the Fund from contributions (employee and employer), transfers in and investment income totalled £44.9m in 2016/17 (£42.1m in 2015/16) and payments from the Fund for pensions, lump sums, transfers out and administration totalled £71.0m (£35.1m in 2015/16). Details of this can be found in the Pension Fund Revenue Account statement on page 53 of the Annual Report. The large increase in the value of payments made during 2016/17 is mainly the result of two group transfers out, further information on which is included in note 16 to the Accounts on page 52 of the Annual Report.

3.7 The Annual Report and Accounts have been prepared in accordance with officers' understanding of the requirements of both the LGPS Regulations and the Secretary of State's guidance. The accounts have been audited by KPMG and were made available in draft form on the Council's website before the end of June 2017. At the time of writing KPMG anticipate issuing an unqualified audit opinion on the financial statements of the Pension Fund and a statement to that effect can be found on page 38 of the Annual Report. The Annual Report has also been audited and is required to be published by 1st December.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits. Under the 2013 Regulations, an Annual Report is required to be published by 1st December.

5. FINANCIAL IMPLICATIONS

5.1 These are summarised in the body of the report and more details are provided in the relevant sections of the Annual Report. The fee for the separate audit of the Pension Fund Accounts and Annual Report was £21,000 in 2016/17 (the same as in 2014/15 and 2015/16, and this was charged to the Pension Fund Revenue Account.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	LGPS Regulations 2013; LGPS (Management and Investment of Funds) Regulations 2016; Pension Fund Performance Q4 2016/17 – Pensions Investment Sub-Committee, 16th May 2017.

LONDON BOROUGH OF BROMLEY PENSION FUND

ANNUAL REPORT 2016/17

Bromley
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LONDON BOROUGH OF BROMLEY PENSION FUND
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FOREWORD

This Annual Report has been produced to keep pensioners and other interested stakeholders informed about the administration and performance of the London Borough of Bromley Pension Fund ("the Fund"). Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to have regard to guidance given by the Secretary of State when preparing and publishing its Pension Fund Annual Report. Revised CIPFA guidance was issued by the Secretary of State on 18th August 2014 and this report complies with the regulations and with the CIPFA guidance and includes additional disclosures required therein.

The Local Government Pension Scheme (LGPS) was established to provide death and retirement benefits for all eligible employees, mainly local government staff. The LGPS is a funded defined benefit scheme, with earnings-banded fixed employee contribution rates and variable employer rates depending on the funding level assessed every three years by the Fund's actuary. Benefits are defined in law and inflation-proofed in line with increases in the Consumer Prices Index for September. The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not needed immediately.

The Council's Pension Fund is a funded defined benefit career average (final salary until 31st March 2014) statutory scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013. The Authority and employees pay contributions into the Fund, calculated at a level intended to ensure that pensions liabilities balance with investment assets over a period of time. The Fund provides benefits for members, including retirement pensions, lump sum retirement grants and widows' pensions.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following legislation:

- The LGPS (Management and Investment of Funds) Regulations 2016.
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.
- The LGPS Regulations 2013 (effective from 1st April 2014).

Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1 April 2008:
- Pension: each year worked is worth 1/80 x final pensionable salary.
- Lump sum: automatic lump sum of 3/80 for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31 March 2008:
- Pension: each year worked is worth 1/60 x final pensionable salary.
- Lump sum: no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career-average scheme and pension benefits accrued from that date are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to 1/49 of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.

- Lump sum: no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later.

There is a range of other benefits provided under the scheme including, but not limited to, early retirement, disability/ ill-health retirement and death benefits.

The London Borough of Bromley is a designated administering authority and is responsible for the administration of the scheme for its employees (and certain admitted bodies), excluding teachers, who have their own specific scheme. The Council discharges this responsibility through the Pensions Investment Sub-Committee consisting of seven councillors appointed by the Council and one staff representative. The Pensions Investment Sub-Committee is primarily responsible for investment and monitoring matters and reports to the General Purposes and Licensing Committee, which has overall responsibility for the administration of the scheme.

The Pensions Investment Sub-Committee has delegated the management of the Fund's active investments to professional investment managers, whose activities are specified in detailed investment management agreements and whose performance is monitored quarterly. The investment managers of the Fund are appointed by the Sub-Committee and, as at 31 March 2017, comprise Baillie Gifford, Blackrock, Fidelity, MFS International and Standard Life. They are regulated by the Financial Conduct Authority (FCA). The Fund's investment managers are set individual performance targets marked against relevant market benchmarks.

2016/17 saw a very good performance overall, both in terms of overall market returns and the specific Fund returns within that market, with the total fund value rising from £748.0m as at 1st April 2016 to £913.4m as at 31st March 2017. In 2016/17, the Fund outperformed the benchmark by 2.13% overall, achieving a return of +26.77% compared to the benchmark return of +24.64%. With regard to the local authority universe, State Street/WM Company withdrew this service in June 2016, and a new provider has emerged (PIRC). As at 31st March, the Fund had the highest return out of the 60 of the LGPS funds that had signed up over 1, 3, 5 and 10 years, and second highest over 20 years. Further details about the Fund's performance can be found on pages 13 to 17. The Fund's investment policy is summarised on pages 13 to 14 and further details are set out in the Investment Strategy Statement on pages 66 to 70.

This Annual Report was reported to the meeting of the Pensions Investment Sub-Committee on 19th September 2017.

LONDON BOROUGH OF BROMLEY PENSION FUND

MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

The Fund

The London Borough of Bromley Pension Fund is part of the national Local Government Pension Scheme (LGPS), which is a statutory career average (final salary until 31st March 2014) scheme set up to provide pensions and retirement benefits for most local government employees including non-teaching staff in schools and for the employees of certain other bodies. It does not provide for teachers, who have a separate national scheme. Up to the local elections in May 2014, Councillors were eligible to join the scheme at the discretion of individual councils, although councillors' pensions were based on career average Members' allowances. Since May 2014, however, Councillors can no longer be active members of the scheme.

As well as for its own employees, the Fund provides for employees who transferred from the Council to Affinity Sutton (formerly Broomleigh Housing Association), Bromley Mytime, Liberata UK, Certitude, The Landscape Group, Amey, Birkin Cleaning Services, Churchill Cleaning, Bromley & Lewisham MIND and Cushman & Wakefield. These bodies are permitted under the regulations to contribute to the Fund and are termed Admission Bodies. It also provides for non-teaching staff in Ravensbourne College of further education within the borough (Bromley & Orpington Colleges transferred to the LPFA on 1st August 2016 following a merger with Greenwich Community College) and these are termed Scheduled Bodies. As at 31st March 2017, the Fund also provided for 88 school academies, which are also termed Scheduled Bodies. The Council is responsible for administering the Fund in accordance with various statutory regulations, the principal regulations being the Local Government Pension Scheme Regulations 2013. Day-to-day administration of the Fund, such as the collection of contributions and the payment of pensions, is contracted out to Liberata UK Ltd.

Fund management and advisers

Any decisions on discretionary matters, most of which are prescribed by the regulations, are either taken by officers under delegated authority (generally by the Director of Finance) or referred to the General Purposes and Licensing Committee. The Pensions Investment Sub-Committee oversees the investment of the Fund and has a general responsibility to monitor the Fund's financial position. The Governance Policy Statement (pages 30 to 31) sets out the responsibilities of the various parties involved in managing the Fund. Meetings are held quarterly and the Sub-Committee's membership for the year 1st April 2016 to 31st March 2017 comprised:

> Councillor Teresa Te (Chairman), Councillor Keith Onslow (Vice-Chairman), Councillor Eric Bosshard, Councillor Simon Fawthrop, Councillor Richard Williams, Councillor David Livett, Councillor Russell Mellor, Jane Harding (Local Pension Board member), Brian Toms (Local Pension Board member) and Brian Toms (Local Pension Board member).

Member attendance at Pensions Investment Sub-Committee meetings in 2016/17.

Councillor	19/05/2016	21/09/2016	16/11/2016	31/01/2017	22/02/2017
Teresa Te (Chairman)	Y	Y	Y	Y	Y
Keith Onslow (Vice-Chairman)	Y	Y	Y	Y	Y
Eric Bosshard	Y	Y	Y	N	Y
Simon Fawthrop	Y	Y	Y	Y	Y
David Livett	Y	Y	Y	Y	Y
Russell Mellor	Y	Y	Y	Y	Y
Richard Williams	Y	Y	Y	Y	Y

In 2016/17, the Council used the services of a number of professional advisers, including:

Scheme Actuary

Mercer LLP, Mercury Court, Tithebarn Street, Liverpool, L2 2QH

Scheme adviser

AllenbridgeEpic Investment Advisers Ltd, 26th Floor, 125 Old Broad Street, London, EC2N 1AR

Auditors

KPMG PPL (UK), 8th Floor, 15 Canada Square East, Canary Wharf, London, E14 5GL

Investment managers

Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN
Blackrock, Drapers Gardens, 12 Throgmorton Avenue, London, EC2N 2DL
Fidelity Investment Management Ltd, Beechgate, Millfield Lane, Lower Kingswood, Surrey, KT20 6RP
MFS International, Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB
Standard Life Investments, 1 George Street, Edinburgh, EH2 2LL

Legal adviser

Director of Corporate Services, Civic Centre, Stockwell Close, BR1 3UH

Administrator of scheme benefits

Liberata UK Ltd, PO Box 1598, Croydon, Surrey, CR0 0ZW

Custodians of scheme assets

Bank of New York Mellon, 160 Queen Victoria Street, London, EC4V 4LA

Banker

HSBC plc, 60 Queen Victoria Street, London, EC4N 4TR

Secretary to the trustees

Director of Corporate Services, LB Bromley

AVC providers

Aviva, Rose Lane Business Centre, PO Box 520, Norwich, NR1 3WG
Equitable Life, PO Box 177, Walton Street, Aylesbury, Bucks, HP21 7YH

Performance monitoring

WM Company, Deutsche Bank House, 525 Ferry Road, Edinburgh, EH5 2AW (until June 2016)
Pensions & Investment Research Consultants Limited (PIRC Ltd), Exchange Tower, 2 Harbour Exchange Square, London, E14 9GE (from July 2016)
Bank of New York Mellon, 160 Queen Victoria Street, London, EC4V 4LA (from July 2016)

Council officers

Peter Turner, Director of Finance
James Mullender, Principal Accountant

Local Pension Board

From April 2015, a new governance structure for the LGPS and other public sector pension schemes came into force, which, among other things, required the administering authority to set up a Local Pension Board to assist in the management and administration of the LGPS. The Board had to be established by 1st April 2015 and was required to be operational by 1st August 2015. The Board's composition and terms of reference were approved by Council in February 2015 and its membership comprises two employer and two member representatives. Its main function is to assist the administering authority with the good governance of the scheme, ensuring the Fund's adherence to legislation, statutory codes of practice and guidance. The Board meet annually and submit an annual report on its work to the Council's Pensions Manager.

Risk Management
There are many factors that could have an adverse impact on achievement of the funding strategy and target funding levels. These can be categorised as administrative, management and investment risks. Some of the key potential risks are listed in a section of the Funding Strategy Statement (pages 54 to 65), together with comments on their materiality, on the procedures for monitoring them and on measures available to mitigate them. The risks listed there have been categorised in four main areas, i.e. financial, demographic, regulatory and governance risks.

The Pensions Investment Sub-Committee is responsible for the prudent and effective stewardship of the London Borough of Bromley Pension Fund. As part of this duty, the Sub-Committee oversees the monitoring and management of risk. The risk management process involves the identification, analysis, control and monitoring of risk. A key tool for the management of risk is the risk register. The register incorporates an assessment of likelihood and impact of risk events as well as control measures in place and an overall risk score. The risk register is kept under review by the Director of Finance and is presented to Members.

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

Management of Third Party Risk
The Fund's investment managers and its custodian issue annual internal control documents. These documents identify internal processes and procedures and details of the audit testing done on them during the year. These provide comfort to the Fund that risk management and control policies and procedures are in place within these organisations. The Director of Finance analyses and reconciles information provided by the custodian to that of the investment manager.

The Pensions Investment Sub-Committee receives quarterly performance reports in which manager performance is reviewed. Any issues arising out of these reviews are raised at the Sub-Committee meeting. The Fund's independent investment adviser monitors the market and the activities of investment managers and informs officers if there are any concerns such as key changes of staff.

Financial Performance
The Council prepares accounts as at 31st March each year, which comply with the CIPFA Code of Practice on local authority accounting 2016/17 and the provisions of Chapter 6, Section 5 "Accounting and Reporting by Pension Funds". The Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013 for the purpose of providing pension benefits for its employees. In addition to the provision of retirement pensions, the benefits include lump sum retirement grants and widows' pensions.

Day-to-day income and expenditure into and out of the Fund are recorded in the Pension Fund Revenue Account, which showed an overall deficit of £26.1m in 2016/17, mainly as a result of the group transfers out relating to Bromley College and GS Plus, partly offset by investment income. The Fund's investment assets appear in the Council's Annual Statement of Accounts and the total value of the Fund's net assets increased in 2016/17 from £748.0m as at 1st April 2016 to £913.4m as at 31st March 2017. The Pension Fund Accounts and Net Assets Statement, together with supporting notes, are attached (pages 36 to 53).

Results of participation in National Fraud Initiative (NFI) exercises (data matches, overpayments identified, actions taken, etc).
As part of the National Fraud Initiative 2016 data matching exercise, the LB Bromley pension data was matched to other data such as the DWP deceased register and payroll data. No evidence of fraud was identified but there were 13 cases of overpayments in respect of pensioners who were deceased. The total amount involved was £36,331, of which £21,303 has been recovered to date. The data matching exercise is run every two years; however, management has agreed to join the flexible data matching scheme offered by the National Fraud Team which matches pension data to the latest DWP deceased register. This was recently matched and the results referred to the Pension Manager for investigation.

In 2016/17, an annual internal audit was completed and the report concluded controls were in place and working well in the areas of**: [note this is draft at this stage]**

- Sufficient funds are available for the scheme.
- Correct actuarial valuations and assumptions may be made.
- Scheme assets are adequately monitored and reconciled.
- Pensions payments and capital are correctly calculated
- Deductions are correctly calculated
- Payments are not made to deceased pensioners abroad
- Outsourced ICT activities are adequately managed and controlled

However,

- The Authority has not received pension fund transfer payments, which it has requested from other Authorities, in a timely manner
- The contractor is not maintaining up-to-date supporting evidence regarding opting out of the pension scheme.
- Refunds may not be made in the most efficient manner.
- There is no evidence of documented checks carried out by the contractor on the amounts paid over by the commissioned out employer.

As a result, a substantial assurance opinion was given.

Analysis of pension overpayments, recoveries and amounts written off.
During 2016/17 there were:-

- 74 overpayments to pensioners (58 in 2015/16)
- Total Sum £39,974.48 (10 overpayments amounting to £17,913.00 relate to the notification of deaths in tax year 2015/16 but were not received until tax year 2016/17) (£27,838.93 in 2015/16)
- Total Outstanding £23,588.04, of which £14,065.84 relates to three cases that were late notifications of deaths relating to the tax year 2015/16 and £9,150.20 in relation to death notifications received from January 2017 (£18,518.86 in 2015/16)
- Included in the above is 0 write off (0 in 2015/16)

In addition to the above there were a further 18 overpayments below £50 (21 in 2015/16) and, in such cases, the Council's policy is not to pursue.

This is the 4th year this information has been required and, in future years, data will be built up to enable a 5-year analysis to be provided.

Management Performance
Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Performance standards are used to monitor

and improve performance. Performance is reported regularly to the Council and is published annually for the information of Scheme members.
Liberata's commitment to Scheme members is:

As administrators of the Bromley Fund, we aim to provide you with good quality service and to communicate effectively. Liberata aim to:

- Respond to e-mails and written enquiries within 10 working days of receipt
  456 pieces of correspondence responded to in the last year, of which 100% were within the performance standard (99.42% in 2015/16)

- Process each stage of a transfer of pension rights (to or from the Fund) within 10 days of receiving the required information
  100% of 170 transfer-in quotations (91.16% in 2015/16) and 96.33% of 117 transfer-out quotations (94.13% in 2015/16) issued within the performance standard

- Process retirement grants (lump sums) within 10 working days of retirement, provided that Liberata have all the necessary information
  99.58% of 269 retirement grants paid within the performance standard (98.50% in 2015/16)

- Issue a benefit statement annually to all active and deferred members
  Statements issued to all active and deferred members in July and August

- Advise pensioners in April of the annual increase to their local government pension
  Pensions increase letters issued to all pensioners in April

Five-year analysis of the Fund's membership data

Status	31/03/2017 No.	31/03/2016 No.	31/03/2015 No.	31/03/2014 No.	31/03/2013 No.
Active Members	6,076	6,234	5,782	5,254	5,065
Pensioners - widow/dependant	727	711	700	706	705
- other	4,343	4,373	4,248	4,156	4,026
Deferred Pensioners	5,258	5,237	5,066	4,819	4,457
	16,404	16,605	15,796	14,935	14,253
Undecided Leavers	228	171	174	147	15
Frozen Refunds	733	657	632	610	608
Total Membership	17,365	17,433	16,602	15,692	14,876

Administration costs (including fund management fees) – budget v outturn

Actual costs of administering the Fund and its investments are compared to the original budget in the following table:

	2016/17 Budget £000	2016/17 Actual £000	2015/16 Budget £000	2015/16 Actual £000
Audit fee	21	21	21	21
Bank charges/transaction costs	253	368	40	164
London CIV implementation & service charge	0	100	0	0
Advice & other costs	100	108	126	111
Internal recharges	496	624	538	588
Total administration costs	870	1,221	725	884
Fund Management fees	2,500	2,976	2,575	2,617
Total	3,370	4,197	3,300	3,501

Unit cost of administration per Fund member

	2016/17	2015/16	2014/15	2013/14	2012/13
	£	£	£	£	£
Total administration costs (gross)	4,196,802	3,500,537	3,179,862	2,413,062	1,889,289
Fund Management fees	2,975,235	2,616,914	2,494,614	1,827,549	1,357,227
Total administration costs (net)	1,221,567	883,623	685,248	585,513	532,062
Cost per member:					
Net (excluding management fees)	£70.35	£50.69	£41.28	£37.31	£35.77
Gross (including management fees)	£241.68	£200.80	£191.53	£153.78	£127.00

Details of contributions received from each employer in the Fund.
A list of contributing employers and details of contributions received is given below. Summary details are provided in the notes to the Pension Fund Accounts (pages 40-41 and 45).

Contributions are required by statute to be paid into the Fund by the 19th day of the following month to that which they relate if paid by cheque or by 22nd if paid by bank transfer. The Pension Regulations allow the Council to charge interest on contributions that are not paid on time, but this power was not exercised in 2016/17.

Group transfers out during 2016/17
During 2016/17 there were two significant group transfers out of the Fund:

Bromley College: On 1st August 2016, Bromley College (one of the Fund's scheduled bodies) merged with Greenwich Community College, and had made a request to designate the London Pension Fund Authority (LPFA) as the administering body in place of the London Borough of Bromley. Following an application by the colleges, the Secretary of State for Communities and Local Government directed that the assets and liabilities relating to all scheme members' employment with Bromley College should transfer to the LPFA.

The liabilities effectively transferred to the LPFA on 1st August 2016, so are not included in the accounts from this date onwards. However, the share of Fund assets had not transferred by 31st March 2017, and the estimated transfer value as at this date of £31.2m, based on initial calculations by the Fund's actuary, adjusted for subsequent investment returns, and is shown in the accounts as a current liability.

GS Plus: There is also a similar accrual relating to Council staff who transferred to GS Plus, with an estimated transfer value of £1.2m.

Employer	Contributions 2016/17 Employee	Employer	TOTAL
	£	£	£
LB Bromley (inc. community schools)	3,233,674	15,104,009	18,337,683
Primary schools/academies			
Alexandra Infants	16,870	74,157	91,027
Alexandra Juniors	13,105	55,352	68,457
Balgowan Primary	34,423	144,827	179,250
Biggin Hill Primary	21,252	90,801	112,053
Burnt Ash Primary	35,450	151,499	186,948
Castlecombe Primary	17,078	73,098	90,176
Chelsfield Primary	4,480	23,145	27,625
Chislehurst CE Primary	9,852	44,838	54,690
Clare House Primary (academy from 01/08/16)	11,671	50,311	61,982
Crofton Infants	30,564	131,756	162,320
Crofton Juniors	26,856	111,785	138,641
Cudham CE Primary	9,791	35,901	45,692
Darrick Wood Infants	14,419	60,014	74,433
Darrick Wood Junior	15,402	88,754	104,156
Dorset Road (academy from 01/09/16)	3,875	16,856	20,731
Farnborough	15,681	66,517	82,199
Grays Farm	28,444	128,533	156,977
Green Street Green Primary	31,380	129,262	160,642
Harris Crystal Palace	27,830	104,656	132,485
Harris Kent House	25,234	106,798	132,032
Harris Primary Academy Beckenham	4,058	8,508	12,566
Harris Shortlands Academy	5,989	15,294	21,283
Hawes Down Infants School	10,862	53,363	64,226
Hawes Down Junior School	14,801	63,676	78,476
Hayes Primary	37,003	153,532	190,535
Highfield Junior	11,574	48,476	60,050
Highfields Infants	13,096	55,637	68,733
Hillside Primary	27,287	114,085	141,372
Holy Innocents	10,052	42,803	52,855
James Dixon Primary (academy from 01/12/16)	10,916	48,978	59,894
Keston Primary	9,250	39,712	48,963
La Fontaine Academy	14,431	32,103	46,534
Langley Park Primary (from 01/09/16)	2,496	5,181	7,677
Leesons Primary	20,640	86,392	107,032
Manor Oak Primary	12,521	53,265	65,786
Marian Vian	28,945	146,042	174,986
Mead Road	8,635	36,111	44,746
Midfield Primary	34,464	146,396	180,860
Mottingham	21,036	93,539	114,575
Oak Lodge	27,181	135,583	162,764
Oaklands	28,569	121,637	150,207
Parish Primary	31,938	116,527	148,464
Perry Hall	13,769	58,104	71,873
Pickhurst Infants	23,680	100,406	124,086
Pickhurst Juniors	25,504	98,012	123,516
Pratts Bottom	4,341	17,939	22,280
Princes Plain Primary	54,331	228,093	282,423
Raglan Primary	29,393	124,503	153,896
Red Hill Primary (academy from 01/09/16)	23,155	98,915	122,070
Scotts Park Primary	22,075	97,023	119,098
St Georges CE Primary (academy from 01/09/16)	12,740	54,045	66,785
St James RC School	9,420	40,115	49,534
St Johns Primary	18,157	76,181	94,338
St Josephs Primary	8,774	37,918	46,692

Employer	Contributions 2016/17 Employee £	Employer £	TOTAL £
Primary schools/academies cont.			
St Marks CE Primary	23,093	99,682	122,775
St Mary Cray	19,028	80,544	99,573
St Mary's RC Primary	19,509	85,135	104,644
St Peter & St Paul Primary	15,667	66,899	82,565
St Philomenas Primary	12,082	60,124	72,206
St Vincent	13,788	65,410	79,198
Stewart Fleming Primary	20,811	89,699	110,510
The Highway Primary	13,379	56,380	69,760
Tubbenden Primary	39,844	167,799	207,643
Unicorn	24,424	104,765	129,189
Valley	31,765	125,035	156,801
Warren Road	44,510	184,106	228,616
Wickham Common	18,927	79,234	98,161
Worsley Bridge Juniors	14,860	65,168	80,028
Secondary Schools			
Beaverwood	47,566	190,607	238,173
Bishop Justus	84,705	327,683	412,388
Bullers Wood Girl	55,347	220,046	275,393
Charles Darwin	49,149	202,242	251,391
Coopers	67,536	252,973	320,509
Darrick Wood	71,888	293,122	365,011
Hayes	66,166	271,428	337,594
Harris Academy Beckenham	40,265	156,545	196,810
Harris Academy Bromley	34,076	131,839	165,915
Kemnal Technology College	89,753	325,717	415,469
Langley Park Boys	61,282	227,425	288,708
Langley Park Girls	57,076	241,736	298,812
Newstead Wood	40,192	161,138	201,330
Ravens Wood	54,605	204,829	259,434
Ravensbourne	60,093	238,097	298,190
St. Olaves	40,551	154,296	194,848
The Priory	60,585	230,737	291,322
Special/AP Schools			
Bromley Beacon Academy	11,237	53,900	65,137
Harris Aspire	8,750	33,313	42,063
The Bromley Trust Academy	20,640	78,008	98,648
The Glebe	44,759	179,662	224,420
Other Bodies			
Amey	22,397	71,634	94,031
Birkin Cleaning	5,185	22,033	27,219
Bromley College	109,994	320,490	430,484
Bromley My Time	6,730	20,406	27,135
Broomleigh		109,000	109,000
Certitude	75,980	236,540	312,520
Churchill Cleaning	7,797	32,990	40,788
Cushman and Wakefield	5,905	15,520	21,424
Liberata	86,890	279,079	365,969
Ravensbourne College	244,731	795,654	1,040,385
The Landscape Group	16,979	40,600	57,579
	6,218,911	**26,890,229**	**33,109,140**

INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Principles

In accordance with the requirements of regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations"), as amended, the Council has produced an Investment Strategy Statement (ISS). The ISS was originally approved by the Pensions Investment Sub-Committee on 22nd February 2017, and subsequent amendments (to reflect the revised asset allocation strategy) approved on 19th September 2017. This is published on the Council's website (see pages 66 to 70).

Investment Managers

Investment of the Fund is governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which define the categories of investments that may be used. In practice, investment in all the principal classes of assets is permitted. Most of the Pensions Investment Sub-Committee's work relates to the monitoring of investment performance, which can have a critical impact on the value of the Fund's assets.

The Council currently employs five investment managers:

- Baillie Gifford & Company (initially appointed in December 1999 and still running a fixed income mandate as well as a Diversified Growth Fund (DGF) mandate from December 2012 and a global equities mandate from December 2013);
- Blackrock (appointed from December 2013 to manage a global equities mandate);
- Fidelity Pensions Management (originally appointed in April 1998, but now only running a fixed income mandate);
- MFS International (appointed from December 2013 to manage a global equities mandate); and
- Standard Life Investments (appointed to run a DGF mandate from December 2012).

It also employs an independent custodian, the Bank of New York Mellon, to hold the Fund's investments and perform related functions such as the collection of investment income and operation of bank accounts in various currencies. The Pensions Investment Sub-Committee is responsible for all these appointments.

Quarterly meetings of the Sub-Committee are held to review the performance of the investment managers, and each manager submits a report on his activities in the previous quarter. The Fund managers attend meetings as requested to present and discuss reports on performance. The Director of Finance presents a separate report on investment performance to each meeting, based on data prepared by the independent WM Company (to June 2016) and BNY Mellon (from July 2016) and including comments from the Fund's external advisers, AllenbridgeEpic.

The investment managers have to operate within the investment powers set out in the regulations and in accordance with their benchmarks. These determine the broad allocation of investments over different asset classes and the extent to which they can diverge from that allocation. Details are included in the Fund's Investment Strategy Statement (pages 61 - 68). The Pensions Investment Sub-Committee is responsible for determining and reviewing the asset allocation strategy of the Fund and this is reviewed on a regular basis. The asset allocation strategy agreed in 2006 (two balanced portfolios managed by Fidelity and Baillie Gifford with benchmarks based on a broad 80:20 ratio of equities to bonds) remained in place until the comprehensive strategy review that took place during 2011/12 (see below), following relatively poor performance in 2011/12.

The review concluded that, in view of ongoing world market problems, a change of direction was required. Consequently, the Sub-Committee agreed to maintain the high level 80%/20%

split between growth seeking assets (representing the long-term return generating part of the Fund's assets) and protection assets (aimed at providing returns to match the future growth of the Fund's liabilities). The growth element would, however, comprise a 10% investment in Diversified Growth Funds (DGF - a completely new mandate) and a 70% allocation to global equities. The latter involved the elimination of previous arbitrary regional weightings, which now provides new managers with greater flexibility to take advantage of investment opportunities in the world's stock markets, thus, in theory at least, improving long-term returns. A 20% protection element would remain in place for investment in corporate bonds and gilts. The first phase of the new strategy (an allocation of £50m (10% of the total Fund value at that time) to two Diversified Growth Fund (DGF) managers, Baillie Gifford and Standard Life) was implemented in December 2012. Phase 2 (the award of three separate global equities mandates – 70% (£440m) of the total Fund value at that time – to Baillie Gifford, Blackrock and MFS International) was implemented in December 2013. Phase 3 (the award of two separate fixed income mandates – 20% of the total Fund value) was implemented during 2015/16.

The asset allocation strategy has since been revised (agreed in April 2017), which removes the allocation to Diversified Growth Funds, reduces the allocation to Global Equities and Fixed Income, and introduces allocation to Property (pooled funds) and Multi-Asset Income (MAI).

Fees paid to the investment managers are charged to the Fund. In 2016/17, these were calculated on the following bases:

> Baillie Gifford (global equities*) - Base fee (quarterly) 0.65% of first £30m of Fund, 0.50% of next £30m and 0.35% of remainder.
> Baillie Gifford (fixed income) - Base fee (quarterly) 0.30% of total Fund value.
> Baillie Gifford (DGF*) - Base fee (quarterly) 0.65% of first £30m, 0.50% on the next £90m and 0.45% thereafter.
> * Ballie Gifford global equities and DGF values are aggregated for fee calculations
> Blackrock (global equities) - Base fee (quarterly) 0.30% of total Fund value.
> Fidelity (fixed income) - Base fee (quarterly) 0.35% of first £10m of Fund value, 0.30% of next £10m, 0.21% of next £30m and 0.18% of remainder.
> MFS (global equities) - Base fee (quarterly) 0.60% of first £25m of Fund value, 0.45% of next £25m and 0.40% of remainder.
> Standard Life (DGF) – Base fee (quarterly) 0.70% of total Fund value.

Review of Investment Performance
The WM Company (to June 2016), and BNY Mellon (from July 2016) provide an independent performance measurement service for the Fund.

Performance data for 2016/17

Fund Value

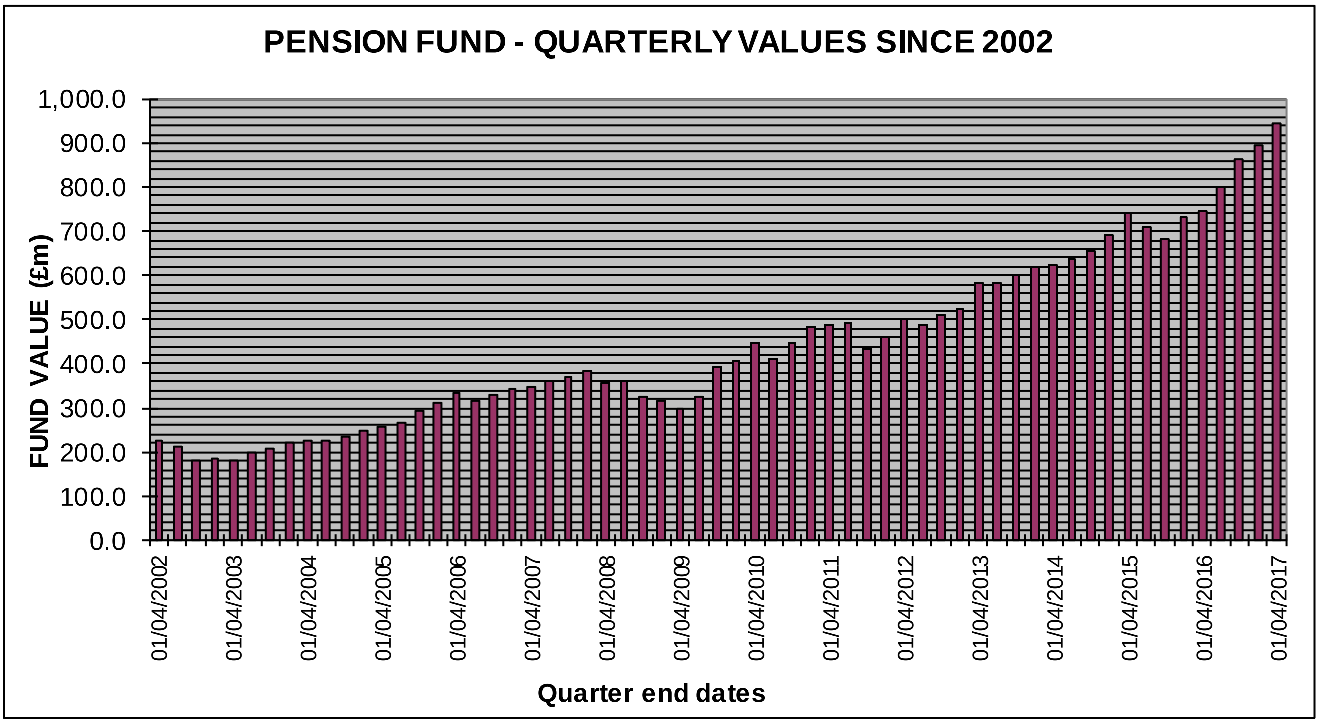
The total market value of the Fund has fluctuated considerably in the last few years. Since 2002, however, increases in the good years (most notably 2005/06, 2009/10, 2012/13, 2014/15 and 2016/17) have far exceeded decreases in the bad years (2002/03 and 2008/09). As a result, the total value of Fund investments has increased from £180.3m as at 31st March 2003 to £943.0m as at 31st March 2017. In 2016/17, the value rose by 27% from £744.9m to £943.0m.

MOVEMENTS IN PENSION FUND MARKET VALUE (NET ASSETS) SINCE 2002

Date	Baillie Gifford					Fidelity			Blackrock	MFS	Standard Life	CAAM	
	Balanced Mandate	DGF	Fixed Income	Global Equities	Total	Balanced Mandate	Fixed Income	Total	Global Equities	Global Equities	DGF	LDI Investment	**GRAND TOTAL**
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31/03/2002	113.3				113.3	112.9		112.9					226.2
31/03/2003	90.2				90.2	90.1		90.1					180.3
31/03/2004	113.1				113.1	112.9		112.9					226.0
31/03/2005	128.5				128.5	126.7		126.7					255.2
31/03/2006	172.2				172.2	164.1		164.1					336.3
31/03/2007	156.0				156.0	150.1		150.1				43.5	349.6
31/03/2008	162.0				162.0	151.3		151.3				44.0	357.3
31/03/2009	154.4				154.4	143.0		143.0					297.4
31/03/2010	235.4				235.4	210.9		210.9					446.3
31/03/2011	262.6				262.6	227.0		227.0					489.6
31/03/2012	269.7				269.7	229.6		229.6					499.3
31/03/2013#	315.3	26.5			341.8	215.4		215.4			26.1		583.3
31/03/2014@	15.1	26.8	45.2	207.8	294.9		58.4	58.4	122.1	123.1	27.0		625.5
31/03/2015		45.5	51.6	248.2	345.3		66.6	66.6	150.5	150.8	29.7		742.9
31/03/2016		44.8	51.8	247.9	344.5		67.4	67.4	145.5	159.2	28.3		744.9
30/06/2016		45.2	54.7	265.3	365.2		70.7	70.7	157.0	177.3	28.0		798.2
30/09/2016		47.2	57.1	297.9	402.2		74.8	74.8	169.6	188.5	28.2		863.3
31/12/2016		47.9	55.5	310.9	414.3		72.6	72.6	181.1	197.3	28.6		893.9
31/03/2017		49.3	56.8	335.3	441.4		74.3	74.3	193.2	206.4	28.5		943.8
		49.8	57.0	338.0	444.8		74.7	74.7	191.9	202.9	28.7		943.0

£50m Fidelity equities sold in Dec 2012 to fund Standard Life and Baillie Gifford DGF allocations.

@ Assets sold by Fidelity (£170m) and Baillie Gifford (£70m) in Dec 2013 to fund MFS and Blackrock global equities.



Investment Performance

The Fund's medium and long-term returns have remained very strong, with overall return of +26.77% for 2016/17, against the benchmark of +24.64%, the highest return of the 60 LGPS funds currently participating in the PIRC LA Universe. For 2015/16, the total return was +0.1% for against the benchmark return of +0.5% (ranking in the 39th percentile (the lowest rank being 100%)). In 2014/15, the fund returned +18.5% compared to the benchmark return of +16.4% (overall ranking in the 5th percentile). For comparison, the rankings in recent years

were 29% in 2013/14, 4% in 2012/13, 74% in 2011/12, 22% in 2010/11, 2% in 2009/10 (the second best in the whole local authority universe), 33% in 2008/09, 5% in 2007/08, 100% in 2006/07 (equal worst in the whole local authority universe), 5% in 2005/06, 75% in 2004/05, 52% in 2003/04, 43% in 2002/03 and 12% in 2001/02.
Since the implementation of Phase 2 (global equities) of the revised Investment Strategy in December 2013, the Fund has employed a total of five managers, all of which are measured against specific benchmarks and are given specific performance objectives, as follows:

Global equities – Baillie Gifford, Blackrock and MFS are all required to outperform the MSCI All Countries World Index.
Fixed income – Baillie Gifford are required to outperform 50% FTSE UK Gilts All Stocks/50% BAML Sterling Non-Gilts Index; Fidelity are required to outperform 50% iBoxx Gilts/50% iBoxx non-Gilts.
DGF – Baillie Gifford are required to achieve Base Rate + 3.5%; Standard Life are required to achieve 6 month Libor + 5%.

The WM Company (until June 2016) and the Bank of New York Mellon (from July 2016) measures their results against these benchmarks, and at total Fund level, PIRC maintains the local authority universe for comparator information. The following tables show total Fund performance and the performance returns of the individual managers in periods ended 31st March 2017.

Portfolio	1 Year %	3 Years %	5 Years %	Since Inception %
Fidelity Fixed Income	10.88	8.71	10.46	6.98
Benchmark	8.05	7.82	8.64	6.14
Excess Return	2.84	0.89	1.82	0.84
Baillie Gifford Global Equity	35.51	17.14	15.34	8.29
Benchmark	32.97	16.28	13.75	7.73
Excess Return	2.54	0.87	1.59	0.56
Standard Life DGF	0.54	1.84		3.05
Benchmark	5.61	5.60		5.83
Excess Return	-5.06	-3.76		-2.78
Baillie Gifford Fixed Income	9.71	7.82		7.71
Benchmark	8.60	7.88		7.46
Excess Return	1.11	-0.07		0.24
Baillie Gifford DGF	10.17	5.43		5.43
Benchmark	3.84	3.95		4.13
Excess Return	6.33	1.48		1.30
MFS Global Equity	29.10	18.44		17.48
Benchmark	32.23	15.65		14.82
Excess Return	-3.13	2.79		2.66
Blackrock Global Equity	33.04	16.36		15.43
Benchmark	32.97	16.28		15.59
Excess Return	0.07	0.08		-0.17
Total Fund	**26.77**	**14.56**	**13.58**	**8.96**
Benchmark	**24.64**	**13.42**	**12.03**	
Excess Return	**2.13**	**1.14**	**1.55**	

Medium and long-term performance data

The Fund's short, medium and long-term returns have remained very strong, with the Fund ranking 1st over 1, 3, 5 and 10 years and 2nd over 20 years to 31st March 2017*, and underlines the fact that the Fund's performance has been consistently strong over a long period. Whole Fund returns and rankings for individual years are shown in the following table:

Year	Whole Fund Return	Benchmark Return	Local Authority average*	Whole Fund Ranking*
	%	%	%	
Financial year figures				
2016/17	***26.8***	***24.6***	***21.4***	***1***
2015/16	0.1	0.5	0.2	39
2014/15	18.5	16.4	13.2	7
2013/14	7.6	6.2	6.4	29
2012/13	16.8	14.0	13.8	4
3 year ave to 31/3/17	***14.6***	***13.4***	***11.2***	***1***
2013/14	8.4	7.5	6.4	6
2012/13	14.2	12.1	11.1	5
2011/12	2.2	2.0	2.6	74
2010/11	9.0	8.0	8.2	22
5 year ave to 31/3/17	***13.6***	***12.0***	***10.7***	***1***
2011/12	8.8	7.6	7.1	6
2010/11	10.7	9.2	8.8	11
2009/10	48.7	41.0	35.2	2
2008/09	-18.6	-19.1	-19.9	33
2007/08	1.8	-0.6	-2.8	5
2006/07	2.4	5.2	7.0	100
2005/06	27.9	24.9	24.9	5
10 year ave to 31/3/17	***10.0***	***n/a***	***7.0***	***1***
20 year ave to 31/3/17	***8.5***	***n/a***	***7.4***	***2***

*The most recent LA averages and rankings as at 31/03/17 are based on the PIRC LA universe containing 60 of the 89 funds.

Custodial arrangements

The Fund uses the Bank of New York (BNY) Mellon as custodian of the cash and securities deposited for safe custody, including stocks, shares, bonds, notes, coupons, certificates of deposit or commercial paper, whether in certificated, uncertificated, registered or bearer form. BNY also effect settlements and other transfers and arranges for the collection of dividends and other receipts.

FUND ADMINISTRATION REPORT

Pension Fund Governance Policy and Compliance Statement
In accordance with regulation 73A of the Local Government Pension Scheme Regulations 1997, the Council has produced a Pension Fund Governance Policy Statement. This is attached at pages 30 to 31. In addition, the Local Government Pension Scheme Regulations 2013 require administering authorities to report the extent of compliance against a set of best practice principles published by the government. This Governance Compliance Statement was reported to the General Purposes and Licensing Committee in July 2008 and is attached at pages 32 to 35.

Fund Administration
Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Details of their performance against standards are shown in the Management and Financial Report above.

Details of administration costs, including investment management fees, adviser fees and fees paid to Liberata are shown on pages 9 and 10 and in the supporting notes to the Pension Fund accounts (page 46).

Liberata UK Ltd
As administrators of the Fund, Liberata aim to provide Members with good quality service and to communicate effectively. They undertake the administration of the LGPS Regulations and associated legislation for over 15,000 Fund members, including LB Bromley staff, non-teaching staff employed by LB Bromley, Affinity Sutton (formerly Broomleigh Housing Association), Bromley MyTime, Liberata UK, Landscape Group, Certitude, Churchill Cleaning Services, Birkin Cleaning Services, Amey, Cushman and Wakefield, Bromley & Lewisham MIND, the Council's colleges (Bromley & Orpington and Ravensbourne), academies and elected Members of the Council.

Administrator functions include:

- Provision of retirement benefits, life cover and dependants' benefits for current and former staff and their dependants.
- Maintenance of member pension records via interface from the Council payroll.
- Implementation of changes in the regulations affecting benefit (or potential benefit) entitlements and keeping members informed of their options.
- Provision of illustrations for transfer of members' previous pension benefits into the Fund and, where appropriate, affecting the transfer.
- Provision, on request, of illustrations of the benefits of paying additional contributions.
- Provision of details of preserved entitlements for early leavers and transfers out and payment as necessary.
- Provision of forecasts of redundancy and early retirement benefits and payment as necessary.
- Calculation and recovery of employer costs associated with the capital impact on the Fund of early payment of benefits – including one-off payments.
- Operation of special provisions of the LGPS relating to elected Members who have opted to join the Fund.
- Provision of data to the Council's actuary for the annual IAS19 exercise and for triennial full valuations of the Fund.
- Submission of statutory returns to government bodies as required.
- Maintenance of Pensions IT system, with updated versions and revisions to tables as advised by the actuary or the Government's Actuary Department.

- Advice and assistance on pension issues where members' employment is being transferred to a contractor under TUPE. Arranging terms for admission agreements to the Fund for new employers.

Key activity in 2016/17 included:

- Production of the academy conversion data for the Actuary, to enable them to calculate the pension deficit for the 4 Schools that have converted to academy status within 2016/17.
- Re-enrolment of all eligible jobholders within the LGPS.
- Triennial Valuation of the pension fund and data reports submitted to the Actuary
- Reconciliation of all transfer in/out payments and retirement grants and death grants for 2016/17 completed.

Enquiries and Complaints

In order to protect Members' interests, the Council is required by the LGPS regulations to set up a two-stage appeal procedure. Full details of these can be obtained from the Liberata Pensions Team (contact details shown below). In addition to the internal dispute process, Members also have access to a number of external advisers or regulators who are there to assist with pension matters.

Contacts for further information

Liberata UK Ltd, PO Box 1598, Croydon, Surrey, CR0 0ZW	Tel: 020 8603 3429 E-mail: pensions@bromley.gov.uk Website: www.liberata.com
London Borough of Bromley, Director of Finance, Civic Centre, Stockwell Close, Bromley, Kent, BR1 3UH	Tel: 020 8464 3333 Website: www.bromley.gov.uk

Pension Tracing Service (for ex-members no longer in touch with former employers)	
The Pension Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU	Tel: 0345 600 2537

The Pensions Advisory Service (if problems cannot be resolved with pension schemes)	
11 Belgrave Road, London, SW1V 1RB	Tel: 0300 123 1047 Website: www.pensionadvisoryservice.org.uk

Pensions Ombudsman	
Tel: 020 7630 2200	Website: www.pensions-ombudsman.org.uk

Self-Service Pensions

Members of the Fund can access their own pension records online, through the Altair Member Self Service (MSS). This service allows Members to view their own records and carry out their own pension benefits calculations, including deferred benefits, pension predictions, lump sum commutation options and redundancy estimates. Members also have the option of updating their Expression of Wish records (by downloading and submitting a signed form) and personal details such as change of address or name. An activation key to access the Altair Member Self Service function can be requested by accessing https://bromleypensionsonline.bromley.gov.uk and a key and details of how to use MSS will be sent direct to the member.

The Fund's Internal Dispute Resolution Procedure.
Members are initially encouraged to contact Liberata UK if they are not sure which benefits they are entitled to or if they have a problem with their benefits. Many problems are resolved informally in this way before they escalate.

If, however, Members are not satisfied with anything relating to their membership of the Fund, their pension benefits or decisions taken that affect them (or their dependants), they have the right to ask for a review under the formal complaint procedure. This procedure is called the Internal Dispute Resolution Procedure (IDRP).

The IDRP has two stages:
Stage 1: the complaint should be made formally, in writing, within 6 months of the date of notification of the decision against which the member wishes to complain. A person nominated by the employer will review the decision and inform the complainant in writing within 3 months of the date on which the complaint was logged.
Stage 2: the member can ask for a 2nd look at the complaint (by a person not involved in the 1st stage decision) if he/she is not satisfied with the 1st stage decision or if the 1st stage decision has not been made within 3 months of the date on which it was logged.

If the complainant is still unhappy with the decision after the 2nd stage, he/she can take the case to the Pensions Ombudsman, provided this is within 3 years of the original decision or problem.

There were 3 formal complaints raised through the IDRP in 2016/17.

Membership of Bodies
The Fund is a member of the following bodies:

Local Government Pensions Committee – provides technical advice, guides, communications and training on the Local Government Pension Scheme.

ACTUARIAL REPORT

The regulations require an actuarial valuation of the Fund's assets and liabilities every three years and the Pensions Investment Sub-Committee is responsible for considering the actuary's report. In the report on the most recent valuation as at 31st March 2016, the Fund's actuary, Mercer Ltd, determined the level of employers' contributions for the three years 2017/18 to 2019/20. Employers' contributions have to provide both for the ongoing cost of pensions in respect of employees' future service and for the eventual elimination of the shortfall in respect of past service. Contribution rates for the years 2014/15 to 2016/17 were set by the 2013 valuation. The next full valuation of the Fund (as at 31st March 2019) will be carried out during 2019/20.

In the 2016 valuation, the actuary found that the value of the Fund's assets represented 91% of the value of its liabilities, up from 82% in 2013. The actuarially assessed positions at 31 March 2013 and 2016 are summarised in the table below.

Valuation	**31 March 2013**	**31 March 2016**	**% change**
	£m	£m	%
Liabilities	712	818	+14.9
Assets	584	748	+28.1
Shortfall	128	70	-45.3
Funding level	82%	91%	+9.0

The key actuarial assumptions as at 31st March 2013 and 2016 are shown below:

Financial Assumptions	**2013**	**2016**
Future investment returns	**% p.a.**	**% p.a.**
Discount Rate	4.95	4.2
Pay increases – long term	4.1	3.7
Pay increases – short term (3 years)	1.0	n/a
General inflation	2.6	2.2
Pension increases	2.6	2.2

In the 2013 Valuation, the primary employer contribution rate in respect of future service with effect from 1st April 2014 to 31st March 2017 was set at 15.3% for all Fund employers. The 2016 Valuation increased this to a weighted average of 17.0% for the three years 1st April 2017 to 31st March 2020, and for the Council, the rate is 16.9%. In addition to the primary contributions in respect of Fund members, employers are also required to make contributions to eliminate the Fund deficit, the secondary contribution rate. For the Council, this was fixed in the 2013 valuation at £5.9m per annum in 2014/15, 2015/16 and 2016/17 with the aim of recovering the deficit over a period of 15 years. For the 2016 valuation, this reduced to £2.1m per annum for 2017/18 to 2019/20, with a deficit recovery period of 12 years.

The 2016 valuation report also contained contribution rates for the other employers in the Fund, including Ravensbourne College, Affinity Sutton (Broomleigh Housing Association), Liberata UK, Bromley MyTime, Certitude, Birkin Cleaning Services, Amey, Churchill Cleaning, Cushman & Wakefield and The Landscape Group as well as for schools. Separate contribution rates were also set for those schools that had adopted academy status. A deficit recovery period of no more than 12 years was set for all these employers, in line with the period set for the Council. The Contribution Schedule set by the actuary is shown on pages 26 to 29.

The Fund income from employer contributions by the Council has increased steadily over the years, principally because there has been a funding shortfall in the Fund since the early nineties. Since then, a programme of annual increases in employer contributions has been implemented with the aim of eliminating the shortfall over an extended period. For a variety of reasons, however, the shortfall has persisted and, in common with all defined benefit schemes, both public and private, there has been a sharp deterioration since the turn of the century as the result of adverse market conditions and improved longevity. The Fund's current strategy is to achieve a funding level of 100% by 2028, but this will be reassessed in the next full valuation (as at 31st March 2019), the results of which will be known towards the end of 2019/20.

The latest Fund valuation report (as at 31st March 2016) can be found at http://www.bromley.gov.uk/downloads/file/2937/pension_fund_actuarial_valuation_report_31_march_2016. No interim valuations were carried out between that date and the previous full valuation as at 31st March 2013.

The actuary's Summary Funding Statement and Rates and Adjustments certificate are attached at pages 23 to 24 and 25 to 29 respectively.

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2016 – KEY RESULTS OF THE FUNDING ASSESSMENT (Section 3 of the Actuarial Valuation as at 31 March 2016)

SOLVENCY FUNDING POSITION

The table below compares the assets and liabilities of the Fund at 31 March 2016. Figures are also shown for the last valuation as at 31 March 2013 for comparison.

	£m	
	31 March 2016	**31 March 2013**
Total assets	748	584
Liabilities:		
Active members	258	237
Deferred pensioners	167	131
Pensioners	393	344
Total liabilities	818	712
Past service surplus / (shortfall)	(70)	(128)
Funding level	91%	82%

The liability value at 31 March 2016 shown in the table above is known as the Fund's solvency funding target". The solvency funding target is calculated using assumptions that the Administering Authority has determined are appropriate having consulted with the actuary, and are also set out in the Administering Authority's Funding Strategy Statement (FSS).

The table shows that at 31 March 2016 there was a shortfall of £70m against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover 91% of its liabilities – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2013 the shortfall was £128m, equivalent to a solvency funding level of 82%. The key reasons for the changes between the two valuations are considered in Section 4 of the full valuation report. Further details of the way in which the solvency funding target has been calculated are set out in Appendix A of the full valuation report.

PRIMARY CONTRIBUTION RATE

The valuation looks at the normal employer contribution rate required to cover the cost of the benefits (including death benefits and expenses) that will be built up over the year after the valuation date (the "Primary Contribution Rate"). A summary of the assumptions used is provided in Appendix A of the full valuation report.

The table below gives a breakdown of the Primary Contribution Rate at 31 March 2016 and also shows the corresponding rate at 31 March 2013 for comparison. In calculating the average Primary Contribution Rate we have not made any allowance for future members to opt for the 50:50 scheme.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the governing Regulations (see Appendix D of the full report).

	% of pensionable pay	
	31 March 2016	**31 March 2013**
Normal contribution rate for retirement and death benefits	22.8	21.2
Allowance for administrative expenses	0.7	0.7
Total normal contribution rate	23.5	21.9
Average member contribution rate	6.5	6.6
Common Contribution rate	17.0	15.3

** In line with updated CIPFA guidance, the 2016 Primary Contribution Rate is the weighted average of the individual employer Primary Contribution Rates as derived based on their individual circumstances (e.g. whether or not they are closed to new entrants).*

CORRECTING THE SHORTFALL – SECONDARY CONTRIBUTION RATE

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period adopted is approximately 11 years, and the total initial recovery payment (the “Secondary rate” for 2017/18) is approximately £5.9m per annum in £ terms**.**

LONDON BOROUGH OF BROMLEY PENSION FUND

ACTUARIAL VALUATION 31 MARCH 2016 – RATES AND ADJUSTMENTS CERTIFICATE ISSUED IN ACCORDANCE WITH REGULATION 62

(Appendix G of the Funding Report of the Actuarial Valuation as at 31 March 2016)

PRIMARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2017 is 17.0% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2017 is set out in the attached schedule**.**

SECONDARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2017 is as follows:

2017/18 £2.6 million plus 3.3% of pensionable pay
2018/19 £2.6 million plus 3.3% of pensionable pay
2019/20 £2.6 million plus 3.3% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2017 is set out in the attached schedule.

CONTRIBUTION AMOUNTS PAYABLE

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in the schedule**.**

FURTHER ADJUSTMENTS

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of zero.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

REGULATION 6 2(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
31st March 2017

Clive Lewis
Fellow of the Institute and Faculty of Actuaries

Schedule to the Rates and Adjustment Certificate dated 31 March 2017

Employer (Number)	Notes	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Major Scheme Employer								
London Borough of Bromley (Council) (1)		16.9%	£2.1m	£2.1m	£2.1m	16.9% plus £2.1m	16.9% plus £2.1m	16.9% plus £2.1m
London Borough of Bromley (Schools) (1)		16.9%	6.4%	6.4%	6.4%	23.3%	23.3%	23.3%
Other Scheme Employers (non Academies)								
Ravensbourne College (27)		12.1%	4.9%	4.9%	4.9%	17.0%	17.0%	17.0%
St Olaves (31)		18.2%	5.1%	5.1%	5.1%	23.3%	23.3%	23.3%
Academies / Free Schools								
Alexandra Infants (645)		18.1%	5.2%	5.2%	5.2%	23.3%	23.3%	23.3%
Alexandra Junior (635)		18.0%	5.3%	5.3%	5.3%	23.3%	23.3%	23.3%
Balgowan Primary School (616)		18.2%	5.1%	5.1%	5.1%	23.3%	23.3%	23.3%
Biggin Hill Primary (617)		15.5%	7.8%	7.8%	7.8%	23.3%	23.3%	23.3%
Bishop Justus Academy (604)		18.2%	5.1%	5.1%	5.1%	23.3%	23.3%	23.3%
Bromley Beacon Academy (676)		13.7%	9.6%	9.6%	9.6%	23.3%	23.3%	23.3%
Bromley Trust Academy (656)		17.7%	5.6%	5.6%	5.6%	23.3%	23.3%	23.3%
Bullers Wood School (606)		17.1%	7.8%	7.8%	7.8%	24.9%	24.9%	24.9%
Burnt Ash Primary (679)		14.8%	8.5%	8.5%	8.5%	23.3%	23.3%	23.3%
Castlecombe Primary (647)		17.8%	5.5%	5.5%	5.5%	23.3%	23.3%	23.3%
Charles Darwin Academy (607)		19.5%	7.9%	7.9%	7.9%	27.4%	27.4%	27.4%
Chelsfield Primary School (680)	1	21.3%	4.2%	4.2%	4.2%	25.5%	25.5%	25.5%
Chislehurst CE Primary (662)		18.2%	5.1%	5.1%	5.1%	23.3%	23.3%	23.3%
Chislehurst School for Girls (603)		18.7%	7.0%	7.0%	7.0%	25.7%	25.7%	25.7%
Clare House Primary School (684)	1	17.9%	5.4%	5.4%	5.4%	23.3%	23.3%	23.3%
Coopers Technology Academy (605)		16.1%	7.2%	7.2%	7.2%	23.3%	23.3%	23.3%
Crofton Infants School (632)		16.6%	6.7%	6.7%	6.7%	23.3%	23.3%	23.3%
Crofton Junior School (624)		17.9%	5.4%	5.4%	5.4%	23.3%	23.3%	23.3%
Cudham CE Primary (668)		19.0%	4.3%	4.3%	4.3%	23.3%	23.3%	23.3%
Darrick Wood Academy (602)		17.2%	6.1%	6.1%	6.1%	23.3%	23.3%	23.3%
Darrick Wood Infants School (618)		17.7%	5.6%	5.6%	5.6%	23.3%	23.3%	23.3%
Darrick Wood Junior School (683)	1	20.4%	6.5%	6.5%	6.5%	26.9%	26.9%	26.9%

Employer (Number)	Notes	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Academies / Free Schools								
Dorset Road Infant School (685)	1	18.0%	5.3%	5.3%	5.3%	23.3%	23.3%	23.3%
Farnborough Primary (643)		17.7%	5.6%	5.6%	5.6%	23.3%	23.3%	23.3%
Grays Farm Primary (639)		15.4%	7.9%	7.9%	7.9%	23.3%	23.3%	23.3%
Green Street Green Primary (619)		17.4%	5.9%	5.9%	5.9%	23.3%	23.3%	23.3%
Harris Academy Beckenham (627)		13.2%	10.1%	10.1%	10.1%	23.3%	23.3%	23.3%
Harris Academy Bromley (626)		15.4%	7.9%	7.9%	7.9%	23.3%	23.3%	23.3%
Harris Academy Orpington (630)		16.9%	6.8%	6.8%	6.8%	23.7%	23.7%	23.7%
Harris Aspire (641)		11.3%	-5.7%	-5.7%	-5.7%	5.6%	5.6%	5.6%
Harris Crystal Palace (637)		18.1%	5.2%	5.2%	5.2%	23.3%	23.3%	23.3%
Harris Kent House (636)		16.5%	6.8%	6.8%	6.8%	23.3%	23.3%	23.3%
Harris Primary Academy Beckenham (677)		9.9%	Nil	Nil	Nil	9.9%	9.9%	9.9%
Harris Primary Academy Orpington (631)		15.1%	8.2%	8.2%	8.2%	23.3%	23.3%	23.3%
Harris Shortlands (658)		18.8%	4.5%	4.5%	4.5%	23.3%	23.3%	23.3%
Hawes Down Infants (666)		19.3%	7.6%	7.6%	7.6%	26.9%	26.9%	26.9%
Hawes Down Junior (667)		18.4%	4.9%	4.9%	4.9%	23.3%	23.3%	23.3%
Hayes Primary School (614)		16.6%	6.7%	6.7%	6.7%	23.3%	23.3%	23.3%
Hayes Secondary School (608)		18.9%	4.4%	4.4%	4.4%	23.3%	23.3%	23.3%
Highfield Infants (638)		17.9%	5.4%	5.4%	5.4%	23.3%	23.3%	23.3%
Highfield Junior (640)		16.3%	7.0%	7.0%	7.0%	23.3%	23.3%	23.3%
Holy Innocents RC Primary (665)		16.1%	7.2%	7.2%	7.2%	23.3%	23.3%	23.3%
James Dixon Primary School (689)	1	16.4%	6.9%	6.9%	6.9%	23.3%	23.3%	23.3%
Kemnal Academy (601)		14.9%	8.4%	8.4%	8.4%	23.3%	23.3%	23.3%
Keston Church of England Primary School (652)		20.8%	4.4%	4.4%	4.4%	25.2%	25.2%	25.2%
La Fontaine Academy (655)		11.9%	-0.1%	-0.1%	-0.1%	11.8%	11.8%	11.8%
Langley Park Boys Academy (609)		18.2%	5.6%	5.6%	5.6%	23.8%	23.8%	23.8%
Langley Park Girls School (613)		18.4%	11.1%	11.1%	11.1%	29.5%	29.5%	29.5%
Langley Park Primary School (688)	1	11.7%	Nil	Nil	Nil	11.7%	11.7%	11.7%
Leesons Primary (657)		16.4%	6.9%	6.9%	6.9%	23.3%	23.3%	23.3%
Manor Oak Primary (644)		16.2%	7.1%	7.1%	7.1%	23.3%	23.3%	23.3%
Marian Vian Primary (672)		19.0%	4.3%	4.3%	4.3%	23.3%	23.3%	23.3%
Mead Road Infants (674)		17.6%	5.7%	5.7%	5.7%	23.3%	23.3%	23.3%
Midfield Primary (664)		14.6%	8.7%	8.7%	8.7%	23.3%	23.3%	23.3%
Mottingham Primary (675)		17.7%	5.6%	5.6%	5.6%	23.3%	23.3%	23.3%
Newstead Wood School (610)		17.6%	7.0%	7.0%	7.0%	24.6%	24.6%	24.6%
Oak Lodge Primary (669)		19.6%	4.0%	4.0%	4.0%	23.6%	23.6%	23.6%
Oaklands Primary (673)		17.5%	5.8%	5.8%	5.8%	23.3%	23.3%	23.3%
Parish Academy (633)		18.5%	4.8%	4.8%	4.8%	23.3%	23.3%	23.3%

Employer (Number)	Notes	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Academies / Free Schools								
Perry Hall Primary (642)		19.4%	6.3%	6.3%	6.3%	25.7%	25.7%	25.7%
Pickhurst Infants School (620)		16.2%	7.1%	7.1%	7.1%	23.3%	23.3%	23.3%
Pickhurst Junior Academy (621)		17.9%	5.4%	5.4%	5.4%	23.3%	23.3%	23.3%
Pratts Bottom Primary School (681)	1	19.0%	4.3%	4.3%	4.3%	23.3%	23.3%	23.3%
Raglan Primary (634)		17.0%	6.3%	6.3%	6.3%	23.3%	23.3%	23.3%
Ravensbourne Academy (612)		16.2%	7.1%	7.1%	7.1%	23.3%	23.3%	23.3%
Ravenswood School (611)		17.4%	8.1%	8.1%	8.1%	25.5%	25.5%	25.5%
Red Hill Primary School (686)	1	17.2%	6.1%	6.1%	6.1%	23.3%	23.3%	23.3%
Scotts Park Primary (650)		15.3%	8.0%	8.0%	8.0%	23.3%	23.3%	23.3%
St George's Bickley C of E Primary School (687)	1	17.1%	6.2%	6.2%	6.2%	23.3%	23.3%	23.3%
St James' RC School (629)		19.2%	4.1%	4.1%	4.1%	23.3%	23.3%	23.3%
St John's CE Primary (646)		17.7%	5.6%	5.6%	5.6%	23.3%	23.3%	23.3%
St Joseph's RC Primary (648)		17.0%	6.3%	6.3%	6.3%	23.3%	23.3%	23.3%
St Mark's CE Primary (663)		16.9%	6.4%	6.4%	6.4%	23.3%	23.3%	23.3%
St Mary Cray Primary (659)		16.4%	6.9%	6.9%	6.9%	23.3%	23.3%	23.3%
St Mary's RC Primary (653)		20.5%	5.4%	5.4%	5.4%	25.9%	25.9%	25.9%
St Peter & St Paul RC Primary (651)		14.7%	8.6%	8.6%	8.6%	23.3%	23.3%	23.3%
St Philomena's RC Primary (649)		20.0%	4.1%	4.1%	4.1%	24.1%	24.1%	24.1%
St Vincent's RC Primary (660)		20.0%	3.7%	3.7%	3.7%	23.7%	23.7%	23.7%
Stewart Fleming Academy (622)		16.1%	7.2%	7.2%	7.2%	23.3%	23.3%	23.3%
The Highway Primary School (682)	1	18.1%	5.2%	5.2%	5.2%	23.3%	23.3%	23.3%
Trinity C of E Primary School (661)		16.5%	6.8%	6.8%	6.8%	23.3%	23.3%	23.3%
Tubbenden Primary School (628)		18.3%	5.0%	5.0%	5.0%	23.3%	23.3%	23.3%
Unicorn Primary (671)		17.7%	5.6%	5.6%	5.6%	23.3%	23.3%	23.3%
Valley Primary School (623)		17.9%	5.4%	5.4%	5.4%	23.3%	23.3%	23.3%
Warren Road School (615)		19.1%	6.4%	6.4%	6.4%	25.5%	25.5%	25.5%
Wickham Common Primary (670)		16.9%	6.4%	6.4%	6.4%	23.3%	23.3%	23.3%
Worsley Bridge Primary (678)		15.9%	7.4%	7.4%	7.4%	23.3%	23.3%	23.3%
Admitted Bodies								
Affinity Sutton (6)		0.0%	£64.3k	£66.9k	£69.6k	£64.3k	£66.9k	£69.6k
Amey (40)		21.2%	Nil	Nil	Nil	21.2%	21.2%	21.2%
Birkin Cleaning Services (36)		25.8%	Nil	Nil	Nil	25.8%	25.8%	25.8%
Bromley My Time (33)	2	38.0%	£478.3k	£478.3k	£478.3k	38.0% plus £478.3k	38.0% plus £478.3k	38.0% plus £478.3k
Certitude (39)		20.6%	-3.3%	-3.3%	-3.3%	17.3%	17.3%	17.3%
Churchill Cleaning (Beckenham) (41)		26.2%	Nil	Nil	Nil	26.2%	26.2%	26.2%

Employer (Number)	Notes	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Churchill Cleaning (Beckenham) (41)		26.2%	Nil	Nil	Nil	26.2%	26.2%	26.2%
Churchill Cleaning (Bromley) (37)		24.2%	Nil	Nil	Nil	24.2%	24.2%	24.2%
Cushman and Wakefield (42)	1	20.6%	Nil	Nil	Nil	20.6%	20.6%	20.6%
Liberata (35)		20.6%	-0.2%	-0.2%	-0.2%	20.4%	20.4%	20.4%
The Landscape Group (38)		19.7%	Nil	Nil	Nil	19.7%	19.7%	19.7%

Note:

1. These employers were admitted to the Fund after 31 March 2016.

2. The Primary and Secondary rates for this employer shown are provisional only and will be subject to review by the the employer has concluded a review of its pension commitments.

LONDON BOROUGH OF BROMLEY PENSION FUND
GOVERNANCE POLICY STATEMENT

1. This statement has been published in accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013.

2. It was published after consultation with the other employers in the Fund, namely Bromley & Orpington College, Ravensbourne College, Affinity Sutton (Broomleigh Housing Association), Bromley Mytime and Bromley & Lewisham MIND. The Council also consulted its employees through their departmental representatives and trade unions.

3. Before publishing the statement, the Council took into account guidance issued by the CIPFA Pensions Panel under the title "Local Government Pension Scheme: Pension Fund Decision Making – Guidance Notes (2006)".

4. Under Schedule 1, paragraph H1 of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000 No. 2853), functions relating to local government pensions are not to be the responsibility of an authority's Executive.

5. The Council has made the following arrangements for delegation of its functions relating to pensions:
   (a) Overall responsibility for administration of the Local Government Pension Scheme has been delegated to the General Purposes and Licensing Committee.
   (b) Responsibility for the following functions has been delegated to the Pensions Investment Sub-Committee, which is a sub-committee of the General Purposes and Licensing Committee:
      (i) Monitoring the financial position of the Pension Fund, including consideration of the triennial actuarial valuations.
      (ii) Investment of the Pension Fund, including the appointment of investment managers.
      (iii) Management of the Council's additional voluntary contributions (AVC) scheme.
   (c) Responsibility for day-to-day administration has been delegated to the Director of Finance. He has issued operational guidelines for internal use by staff, including staff employed by Liberata Pensions, for reference in determining the day-to-day issues that have been delegated to him.

6. The General Purposes and Licensing Committee normally meets six times a year. Its membership comprises 15 elected councillors, with its political make-up determined according to proportionality rules.

7. The Pensions Investment Sub-Committee normally meets four times a year. Its primary function is to review the investment performance of the Fund's external investment managers. Its membership comprises seven elected councillors, with its political make-up determined in accordance with proportionality rules, and one non-voting representative of the Council's employees.

8. Neither the General Purposes and Licensing Committee nor the Pensions Investment Sub-Committee includes any representatives of the other Fund employers. The Council does not believe that it would be practicable for these employers to be represented on

either committee, as this would result in an inappropriate balance of committee membership given that a large proportion of the Fund's members are the financial responsibility of the Council.

9. In addition to both the General Purposes and Licensing Committee and the Pensions Investment Sub-Committee, a Local Pension Board (hereinafter referred to as 'the Board') has been established to meet the requirements of The Local Government Pension Scheme Regulations 2013 (as amended). The role of the Local Pension Board is to "*assist*" administering authorities to secure compliance with the LGPS regulations and other legal and regulatory requirements, and generally to ensure the efficient and effective governance and administration of the LGPS.

   The Board is not a Local Authority committee, but has been established by Council. It may only operate within its Terms of Reference. A full copy of the Terms of Reference is available on request and a summary of the key points can be found below:

   - The Board must comprise of an equal number of Employer and Member Representatives, with no fewer than two of each;
   - Member Representatives are formally appointed by the General Purposes and Licensing Committee. Employer Representatives are formally appointed by full Council on the recommendation of the General Purposes and Licensing Committee;
   - The Board must meet officially on an annual basis, further ad hoc meetings may be convened as and when required;
   - The Board's role is to oversee and it is not a decision making body with regard to the management of the Pension Fund;
   - No independent Chairman will be appointed to the Board. Instead, Employer and Member representatives will rotate the chairing of meetings on an annual basis.

   In the event of a vote, Board members have one vote per member. However, it is anticipated that the Board will reach a consensus where possible.

GOVERNANCE COMPLIANCE STATEMENT

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to our stakeholders.

Principle A – Structure

a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partly compliant
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Partly compliant
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Partly compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Neither the General Purposes and Licensing Committee nor the Pensions Investment Sub-Committee includes any representatives of the other Fund employers. The Council does not believe that it would be practicable for these employers to be represented on either committee, as this would result in an inappropriate balance of committee membership given that a large proportion of the Fund's members are the financial responsibility of the Council. This matter will be kept under review. There are two employer representatives and two member representatives on the Local Pension Board.

Principle B – Representation

a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, e.g, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Partly compliant
b)	That where lay members sit on a main or secondary	Fully compliant

	committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	

Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) The Local Pension Board membership comprises two employer representatives and two member representatives.

Please use this space if you wish to add anything to explain or expand on the ratings given above :- The two employer representatives and two member representatives on the Local Pensions Board receive all papers for, and can attend Sub-Committee meetings. Equal access is given to training and they also have a full opportunity to contribute to the decision making process but without voting rights.

Principle C – Selection and role of lay members

a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully compliant

Principle D – Voting

a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Before publishing the statement, the Council took into account guidance issued by the CIPFA Pensions Panel under the title “Local Government Pension Scheme: Pension Fund Decision Making – Guidance Notes (2006)”.

Principle E – Training, Facility time, Expenses

a)	That, in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully compliant
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above :- The policy is to ensure that there is regular and comprehensive access to training. In-house training sessions for Councillors were held in January 2016 and January 2017.

Principle F – Meetings (frequency/quorum)

a)	That an administering authority's main committee or committees meet at least quarterly.	Fully compliant
b)	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Partly compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) As stated the two employer representatives and two member representatives on the Local Pensions Board receive all papers for, and can attend all Pensions Investment Sub-Committee meetings.

Please use this space if you wish to add anything to explain or expand on the ratings given above :- The General Purposes and Licensing Committee meets six times per year plus any special meetings. The Pensions Investment Sub Committee meets four times per annum plus any special meetings.

Principle G – Access

a)	That, subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that fall to be considered at meetings of the main committee.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Equal access is given.

Principle H – Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Wider scheme issues are also part of the Council's governance arrangements.

Principle I – Publicity

a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully compliant

FUND ACCOUNT AND NET ASSETS STATEMENT

Regulation 34(1)(f) requires an administering authority to prepare a Pension Fund account and net assets statement with supporting notes and disclosures prepared in accordance with proper practice. These statements must be included in this annual report and must be drawn up in accordance with the Code of Practice on Local Authority Accounting issued by CIPFA.

The accounts have to be accompanied by a statement of responsibilities signed by the Director of Finance and by the independent auditor's report. These can be found on pages 37 and 38. The Fund Account and Net Assets Statement are on pages 39 and 40, supporting notes are on pages 41 to 52 and details of the Pension Fund Revenue Account are on page 53.

During 2016/17, the total net assets of the Fund rose from £748.0m to £913.4m. The Pension Fund Revenue Account showed an overall deficit of £26.1m in 2016/17 (excluding changes in market value), mainly as a result of the group transfers out relating to Bromley College and GS Plus, and total Fund membership numbers decreased in the year from 16,605 to 16,404.

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required:

- * to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance;

- ***** to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- ***** to approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

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

- * selected suitable accounting policies and then applied them consistently;

- * made judgements and estimates that were reasonable and prudent; and

- * complied with the Code of Practice.

The Director of Finance has also:

- * kept proper accounting records which were up to date;

- ***** taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance

I certify that the Pension Fund accounts set out on pages 39 - 52 of the Pension Fund Annual Report present fairly the financial position of the Authority as at 31st March 2017 and its income and expenditure for the year ended 31st March 2017.

Peter Turner
Director of Finance

Dated 28/7/17

Independent auditor's report to the members of London Borough of Bromley on the pension fund financial statements published with the Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2017 on pages 39 to 52.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities the Director of Finance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of London Borough of Bromley, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of London Borough of Bromley for the year ended 31 March 2017 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts [insert date] and the date of this report.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

Phillip Johnstone

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP, 15 Canada Square, London, E14 5GL

September 2017

PENSION FUND ACCOUNT

2015/16 £000	2015/16 £000		Note	2016/17 £000	2016/17 £000
		Dealings with members and employers			
		Contributions and similar payments			
6,284		Contributions - from members	**5**	6,219	
19,088		- from employers - normal	**5**	19,450	
1,624		- augmentations	**5**	1,431	
6,005		- deficit funding	**5**	6,009	
1,778		Transfers in from other pension funds (individual)		3,161	
	34,779				36,270
		Benefits			
(25,333)		Pensions		(26,061)	
(5,134)		Lump sum benefits - retirement		(4,703)	
(238)		- death		(875)	
	(30,705)				(31,639)
		Payments to and on account of leavers			
(92)		Refunds of contributions		(84)	
0		Transfers out (group)	**16**	(32,387)	
(828)		Transfers out (individual)		(2,709)	
	(920)				(35,180)
	(3,501)	**Management expenses**	**6**		(4,197)
	(347)	**Net (withdrawal) / addition from dealings with Fund members**			(34,746)
		Returns on investments			
7,289		Investment income - from equities		8,593	
8		- from cash deposits		17	
(4,316)		Change in market value		191,512	
	2,981	Net return on investments			200,122
	2,634	**Net Fund increase during year**			165,376
	745,375	Opening net assets			748,009
	748,009	**Closing net assets**			913,385

NET ASSETS STATEMENT

31st March 2016				31st March 2017	
£000	£000			£000	£000
		Investment assets	**8**		
26,809		Equities - UK (quoted)		28,102	
371,583		- overseas (quoted)		503,092	
	398,392				531,194
173,780		Pooled funds - UK (unitised insurance policies)		221,711	
164,020		- UK (open ended investment companies)		180,491	
	337,800				402,202
	8,862	Cash deposits held by investment managers			10,192
	1,537	Investment income due			2,193
606		Other investment balances - sales		56	
(762)		- purchases		(104)	
	(156)				(48)
	746,435	Net investment assets	**8**		945,733
		Current assets and liabilities			
1,126		Cash		56	
989		Current assets - debtors	**9**	915	
(541)		Current liabilities - creditors	**9**	(33,319)	
	1,574				(32,348)
	748,009	**Closing net assets**			913,385

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Actuarial present value of promised retirement benefits is disclosed in Note 11.

1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Bromley Pension Fund Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, which are listed below.

(a) General

The London Borough of Bromley Pension Fund is part of the LGPS and is administered by the London Borough of Bromley. It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and of other organisations with scheduled or admitted body status within the Fund. Teachers are not included as they are members of the Teachers' Pension Scheme, administered by the Department for Education. Former NHS public health health staff who transferred to Bromley in April 2013 are also not included as they remain members of the NHS Pension Fund, administered by the Department for Health.

The Fund is governed by the Public Services Pensions Act 2013 and is administered in accordance with with the following legislation:

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016.
- The LGPS Regulations 2013 (as amended).

The Fund is overseen by the London Borough of Bromley Pensions Investment Sub-Committee.

(b) Membership

Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal pension arrangements outside the scheme.

Organisations participating in the Fund include:
- Administering Authority: The London Borough of Bromley
- Scheduled Bodies: Academies, Colleges and Foundation Schools whose staff are automatically entitled to be members of the Fund
- Admitted Bodies: Other organisations that participate in the Fund under admission agreements with the Fund. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

As at 31st March 2017, there were a total of 102 employer organisations in the Bromley Fund, including the Council itself. These are listed below.

Scheduled Bodies	***Scheduled Bodies***	***Scheduled Bodies***
Primary School Academies	***Primary School Academies (cont)***	***Primary School Academies (cont)***
Alexandra Infants	Harris Primary Orpington	Parish Primary
Alexandra Junior	Harris Shortlands	Perry Hall Primary
Balgowan Primary	Hawes Down Infants School	Pickhurst Infants
Biggin Hill Primary	Hawes Down Junior School	Pickhurst Junior
Burnt Ash Primary	Hayes Primary	Pratts Bottom Primary
Castlecombe Primary	Highfield Infants	Raglan Primary
Chelsfield Primary	Highfield Junior	Red Hill Primary
Chislehurst CE Primary	Hillside Primary	Scotts Park Primary
Clare House Primary	Holy Innocents RC Primary	Stewart Fleming Primary
Crofton Infants	James Dixon Primaru	St.. James RC Primary
Crofton Junior	Keston CE Primary	St. John's CE Primary
Cudham CE Primary	Langley Park Primary	St. Joseph's RC Primary
Darrick Wood Infants	La Fontaine	St. Mark's CE Primary
Darrick Wood junior	Leesons Primary	St. Mary Cray Primary
Farnborough Primary	Manor Oak Primary	St. Mary's RC Primary
Grays Farm Primary	Marian Vian Primary School	St. Peter & St. Paul Primary
Green Street Green Primary	Mead Road Infant School	St. Philomena's RC Primary
Harris Aspire	Midfield Primary	St. Vincent's RC Primary
Harris Crystal Palace	Mottingham Primary	The Highway Primary
Harris Kent House	Oaklands Primary School	Trinity CE Primary
Harris Primary Beckenham	Oak Lodge Primary School	Tubbenden Primary

1 Description of Fund continued

Primary School Academies (co	*Secondary School Academies*	*Special School/AP Academies*
Unicorn Primary School	***(cont)***	Bromley Trust Academy
Valley Primary	Hayes	Bromley Beacon Academy
Warren Road Primary	Kemnal	Harris Aspire
Wickham Common Primary	Langley Park Boys	
Worsley Bridge Primary	Langley Park Girls	***Admitted Bodies***
	Newstead Wood	Affinity Sutton
Secondary School Academies	Ravens Wood	Amey
Chislehurst School for Girls	The Priory	Birkin Cleaning Services
Bishop Justus CE	The Ravensbourne	Bromley & Lewisham MIND
Bullers Wood		Bromley Mytime
Charles Darwin	***Foundation Schools***	Churchill Cleaning (Bromley)
Coopers	St Olave's & St Saviour's	Churchill Cleaning (Beckenham)
Darrick Wood	The Glebe	Certitude
Harris Beckenham		Cushman and Wakefield
Harris Bromley	***Scheduled Bodies - Other***	Liberata UK
Harris Orpington	Ravensbourne College	The Landscape Group

The following table shows the total membership of the Fund as at 31st March 2017 and 2016.

	2016	**2017**
Members	6,234	6,076
Pensioners - widows / dependants	711	727
- other	4,373	4,343
Deferred Pensioners	5,287	5,258
Total	16,605	16,404

(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active scheme members in accordance with the LGPS Regulations 2013 and, in 2016/17, ranged from 2.9% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations, the rates for 2016/17 being set by the previous valuation as at 31st March 2013. In 2016/17, employer rates ranged from 19.3% to 29.7% of pensionable pay.

(d) Benefits

Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1st April 2008:

- Pension: each year worked is worth 1/80 x final pensionable salary.
- Lump sum : automatic lump sum of 3/80 for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31st March 2008:

- Pension: each year worked is worth 1/60 x final pensionable salary.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career average scheme and pension benefits accrued after 31st March 2014 are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to 1/49 of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

1 *Description of Fund continued*

As well as a change to the way in which benefits are calculated, the scheme normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later. There is a range of additional benefits for members of the scheme including, but not limited to, early retirement, ill health retirement and death benefits.

2 *Basis of Preparation*

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31st March 2017. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3 *Summary of Significant Accounting Policies*

(a) Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the scheme 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 is classified as a current financial asset. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of an agreement, on a receipts basis.

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

(c) Investment Income

(i) Interest income

Interest income is recognised in the Fund account as it accrues.

(ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as "current assets".

(iii) Distributions from pooled funds

Pooled investment vehicles are accumulation funds and, as such, the change in market value also includes income, net of withholding tax, which is re-invested in the fund.

(iv) Movement in the net market value of investments

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.

(d) Benefits payable

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund, as appropriate.

3 Summary of Significant Accounting Policies continued

(e) Taxation

The Fund is a registered public service scheme under the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

(f) Administrative expenses

All administrative expenses are accounted for on an accruals basis. Staff costs of the pensions administration team and management, accommodation and other overheads are charged to the Fund in accordance with Council policy.

(g) Investment management expenses

All investment management expenses are accounted for on an accruals basis and investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on a percentage of the total market value of investments under management and therefore increase or decrease as the total value of investments changes.

(h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15).

(i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

(j) Cash and cash equivalents

Cash comprises cash investments placed by the Fund managers and cash held internally by the Fund. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

(k) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to it. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

(l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As is permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see Note 11). A summary of the results of the last full actuarial valuation is shown in Note 10.

(m) Additional voluntary contributions (AVCs)

The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 12.

3 ***Summary of Significant Accounting Policies continued***

(n) Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place giving rise to a possible asset or liability whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4 ***Critical Judgements in Applying Accounting Policies, Assumptions on the Future and Other Major Sources of Estimation Uncertainty***

The Pension Fund liability is calculated every three years by the scheme actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are and are summarised in Note 10. The assumptions were determined after taking into account historical experience, current trends and other factors. This estimate is subject to significant variations based on changes to the underlying assumptions. Consequently, actual results may be materially different from estimates.

5 ***Contributions receivable***

	2015/16 £000	**2016/17 £000**
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley - normal	8,778	7,773
- augmentations	1,624	1,431
- deficit funding	5,900	5,900
Scheduled bodies - Foundation Schools	298	334
	16,600	15,438
Other		
Scheduled bodies - normal - academies	7,965	9,508
- normal - colleges	1,509	1,116
Admitted bodies - normal	538	719
- deficit funding	105	109
	26,717	26,890
Member Contributions		
L.B. Bromley part of Fund		
L.B. Bromley	3,572	3,234
Scheduled bodies - Foundation Schools	75	85
	3,647	3,319
Other		
Scheduled bodies - academies	1,970	2,317
- colleges	495	355
Admitted bodies	172	228
	6,284	6,219

Details of the scheduled and admission bodies are included in Note 1 (b).

6 *Management Expenses*

	2015/16	2016/17
	£000	£000
Administrative costs	531	517
London CIV implementation & service chg	0	100
External audit costs	21	21
Investment management expenses	2,781	3,344
Oversight and governance costs	168	215
	3,501	4,197

7 *Investment Management Expenses*

	2015/16	2016/17
	£000	£000
Management fees	2,617	2,976
Custody fees	31	162
Transaction costs	133	206
	2,781	3,344

8 *Investments*

Following a review of the Fund's investment strategy in 2012, contracts were awarded for Diversified Growth (10% of the Fund) from December 2012 and Global Equities (70% of the Fund) from December 2013. The managers as at 31st March 2017 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS.
Fixed income: Baillie Gifford and Fidelity.
Diversified Growth: Baillie Gifford and Standard Life.

In addition, the Fund has £150k of unlisted equity shares in the London LGPS CIV Ltd (London CIV), which was set up to manage/pool the investments of LGPS funds across London.

The bid value of the Fund as at 31st March 2016 and 2017 was divided between the Fund managers as follows:

	31st March 2016		31st March 2017	
	£000	%	£000	%
Baillie Gifford - global	247,852	33.27%	335,269	35.53%
- fixed income	51,849	6.96%	56,835	6.02%
- DGF	44,802	6.01%	49,316	5.23%
Fidelity - fixed income	67,377	9.05%	74,340	7.88%
MFS - global	159,238	21.38%	205,919	21.82%
Blackrock - global	145,461	19.53%	193,238	20.48%
Standard Life - DGF	28,319	3.80%	28,473	3.02%
London CIV	0	0.00%	150	0.02%
	744,898	100.00%	943,540	100.00%

The carrying amounts of financial assets held by Fund managers are held as fair value through profit and loss.

Pooled investments shown in the Net Assets Statement include the following:

	31st March 2016	31st March 2017
	£000	£000
Diversified Growth Funds (2)	73,121	77,781
Global Equity Fund (1)	145,461	193,238
Sterling Bond Funds (2)	119,218	131,183
	337,800	402,202

8 *Investments continued*

The table below analyses movements in market values between the start and end of the year.

	Value at 31st March 2016	Purchases	Sales	Change in MV	Value at 31st March 2017
	£000	£000	£000	£000	£000
Equities	398,392	57,616	(50,552)	125,738	531,194
Pooled investments	337,800	100,944	(100,863)	64,321	402,202
Sub-Total	736,192	158,560	(151,415)	190,059	933,396
Cash deposits	8,862			1,453	10,192
Amounts receivable for sales	606				56
Investment income due	1,537				2,193
Amounts payable for purchases	(762)				(104)
Net investment assets	746,435	158,560	(151,415)	191,512	945,733

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including gains and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles, which are accumulation funds, changes in value also include income, net of withholding tax, which is re-invested in the Fund. All gains and losses recognised arose from financial instruments valued at fair value through profit and loss.

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp stamp duty and other fees, are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year totalled £206k (£132k in 2015/16). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

The Code requires the Council to disclose any single investments exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. Details are shown below.

	31st March 2016		**31st March 2017**	
	£000	% of total	£000	% of total
Baillie Gifford				
- Sterling Aggregate Plus Bond Fund	45,749	6.14	49,780	5.26
- Diversified Growth Fund	44,802	6.01	49,316	5.21
Standard Life - Global Absolute Return Fund	28,319	3.80	28,473	3.01
Blackrock - Ascent Life Global Equities Fund	145,461	19.53	193,238	20.43
Fidelity - Institutional Aggregate Bond Fund	67,370	9.04	74,340	7.86

9 *Current assets and liabilities*

Current assets and liabilities are held respectively on the Balance Sheet as loans and receivables and financial liabilities at amortised cost.

	2014/15	**2015/16**
Debtors (current assets)	£000	£000
Contributions due from employers and employees	983	911
Other	6	4
	989	915
Creditors (current liabilities)		
Fund management fees	538	928
Transfers out (group) (see also note 16)	0	32,387
Other	3	4
	541	33,319

10 *Funding Arrangements*

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2013. The Fund's actuary, Mercer Ltd, carried out a full valuation of the Fund as at 31st March 2013, when its solvency level was calculated at 82%.

The 2013 actuarial valuation set the level of employer contributions required to attain 100% solvency within 15 years. It set employer rates for the years ending 31st March 2015, 2016 and 2017 at an average of 15.3% (excluding past deficit adjustment) and specified total annual lump sum past-deficit contributions of £6.0m.

The most recent full valuation of the Fund (as at 31st March 2016) was carried out by the actuary during 2016/17. This calculated a new sovency funding level of 91% and set a common employer contribution rate of 20.3% and total annual lump sum past-deficit contributions of £2.6m from 1st April 2017 until 31st March 2020 with the aim of recovering that deficit over 12 years.

A significant number of schools adopted academy status between 2014/15 and 2016/17. Calculations of deficit shares and contribution rates for academies are carried out individually by the Council's actuary and are set at either the same rate as the Council or at a rate sufficient to ensure that the deficit share is recovered within 15 years.

The following assumptions were employed in the 2013 and 2016 valuations.

	2013	**2016**
Economic assumptions	**% p.a.**	**% p.a.**
Increases in earnings - long term	4.1	3.7
- short term (3 years)	1.0	n/a
General Inflation	2.6	2.2
Increases in pensions	2.6	2.2
Investment return - Overall discount rate	4.95	4.2
Mortality assumptions	**Years**	**Years**
Life expectancy - male aged 65 now	22.9	23.2
- at 65 for male aged 45 now	25.1	25.8
- female aged 65 now	25.3	25.9
- at 65 for female aged 45 now	28.2	28.2

Commutation assumption - It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (the standard for pre April 2008 service).

11 *Actuarial Present Value of Promised Retirement Benefits*

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 45 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund.

The Fund is also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £1,115m as at 31st March 2017 (£929m as at 31st March 2016).

The demographic assumptions used in the IAS 26 report were the same as those used for the 2016 full valuation (see Note 10) and the following financial assumptions were used:

	2016	**2017**
	% p.a.	**% p.a.**
Increases in earnings	3.5	3.8
Increases in pensions	2.0	2.3
Investment return - Overall discount rate	3.6	2.5

12 *Additional Voluntary Contributions*

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2015/16 and 2016/17 and the total value of AVC Funds as at 31st March 2016 and 2017 is shown below.

	2015/16	**2016/17**
AVC contributions	**£000**	**£000**
- to Aviva	74	39
- to Equitable Life *	-	-
Total contributions	**74**	**39**

* the total contribution to Equitable Life was less than £500.

	2015/16	**2016/17**
Market Value	**£000**	**£000**
- Aviva	1,013	1,054
- Equitable Life	83	68
Total Market Value	**1,096**	**1,122**

13 *Related Parties*

Two members of the Pensions Investment Sub-Committee during the year were in receipt of a pension, and one is a deferred pensioner.
A special responsibility allowance of £1,971 was paid to the Chairman of the Sub-Committee in 2015/16, and £1,970 in 2016/17. No other payments were made for meeting attendance.

The Council incurred costs of £631k (£588k in 2014/15) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund.

14 *Nature and extent of risks arising from financial instruments*

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in this note on the next two pages.

Risk and Risk Management

The Fund’s primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, price risk, currency risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet its forecast cash-flows. The Authority manages these investment risks as part of its overall Pension Fund risk management programme.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

14 *Nature and extent of risks arising from financial instruments continued*

Market Risk continued

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Authority and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Authority to ensure it is within limits specified in the Fund's investment strategy.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the Fund, i.e. £Sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term, currency rates reflect value in a particular territory and, to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold. The Fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and the Pensions Investment Sub-Committee every quarter.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one bank or building society. In addition, the Council may invest in AAA-rated money market funds to provide diversification.

14 Nature and extent of risks arising from financial instruments continued

Credit Risk continued

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund held £0.1m of Pension Fund cash under its treasury management arrangements at 31st March 2017 (£1.1m as at 31st March 2016). In practice, the Pension Fund Revenue Account cashflow position was only slightly cash negative for most of the year and, as a result, it was not considered viable to separate out Pension Fund cash from Council cash for investment purposes.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that most, if not all, of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.
The Fund managers held no illiquid assets (i.e. assets that could not be sold within 10 days) as at both 31st March 2016 and 2017.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Council reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

Summary

The following table sets out the potential sums at risk, most of which are remote possibilities, under the various types of risk:

	Market Risk £000	Other Price Risk £000	Currency Risk £000	Interest Rate Risk £000	Credit Risk £000
UK Equities (quoted)	28,102	28,102	-	-	28,102
Overseas Equities (quoted)	503,092	503,092	503,092	-	503,092
Pooled Investments					
- Diversified Growth Funds *	77,781	77,781	77,781	77,781	77,781
- Global Equity Fund	193,238	193,238	193,238	-	193,238
- Sterling Bond Funds	131,183	-	-	131,183	131,183
Cash and cash equivalents	-	10,144	-	10,144	10,144
	933,396	812,357	774,111	219,108	943,540

* The Diversified Growth Funds invest in a wide range of assets, including equities, bonds and alternative investments, as determined by the Fund managers. As a result, there is exposure to all types of risk up to the value of the investments held.

15 *Determination of the fair value of assets*

All investment assets are held at fair value. The determination of the fair value can be complex depending on the investment and the complexity of measurement can be represented by the fair value hierarchy. The fair value hierarchy ranks fair values at levels between 1 and 3.

Valuations considered to be Level 1 are based on quoted prices, and the valuation of the Fund's equities fall into this category.

Level 2 valuations are based on observable inputs relating to the assets, such as the quoted price of similar assets or market data relating to the assets held. The valuation of the Fund's pooled investments fall into this category.

Level 3 valuations are based on non-observable inputs. These types of valuation are common to the valuation of private equity and other alternative investments. The investment in the London CIV falls into this category.

16 *Transfers out (group)*

On 1st August 2016, Bromley College (one of the Fund's scheduled bodies) merged with Greenwich Community College, and had made a request to designate the London Pension Fund Authority (LPFA) as the administering body in place of the London Borough of Bromley. Following an application by the colleges, the Secretary of State for Communities and Local Government directed that the assets and liabilities relating to all scheme members' employment with Bromley College shall transfer to the LPFA.

The liabilities effectively transferred to the LPFA on 1st August 2016, so are not included in the accounts from this date onwards. However, the share of Fund assets had not transferred by 31st March 2017, so the estimated transfer value as at this date of £31.2m, which is based on initial calculations by the Fund's actuary, adjusted for subsequent investment returns, and is shown in the accounts as a current liability.

There is also a similar accrual relating to staff who transferred to GS Plus, with an estimated transfer value of £1.2m.

17 *Contingent Assets*

The Council is party to a joint venture (JV) arrangement, More Homes Bromley LLP. As part of the overall arrangement the Council has resolved that, on receipt of the property stock at the conclusion of the agreement, the properties will subsequently be ‘gifted’ to the Pension Fund with a view to reducing current pension contributions. The assets to be 'gifted' at the end of the arrangement will not exceed the value of the Council's Pension Find deficit at that time. The eventual consideration may differ from the actuarial assumptions used due to the long term nature of the arrangement and the application of different professional standards. Whilst there is a constructive obligation to transfer the whole or part of the property stock this is subject to a number of caveats and there is not sufficient certainty for it to be recognised by the Pension Fund as an asset at this stage.

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2015/16 £'000's	Estimate 2016/17 £'000's	Final Outturn 2016/17 £'000's
INCOME			
Employee Contributions	6,284	6,400	6,219
Employer Contributions	26,717	27,000	26,890
Transfer Values Receivable	1,778	1,800	3,161
Investment Income	7,297	7,400	8,610
Total Income	42,076	42,600	44,880
EXPENDITURE			
Pensions	25,333	25,900	26,061
Lump Sums	5,372	5,500	5,578
Transfer Values Paid	828	1,500	35,096
Administration	3,501	3,370	4,197
Refund of Contributions	92	80	84
Total Expenditure	35,126	36,350	71,016
Surplus/Deficit (-)	6,950	6,250	26,136

MEMBERSHIP	**31/03/2016**	**31/03/2017**
Employees	6,234	6,076
Pensioners	5,084	5,070
Deferred Pensioners	5,287	5,258
	16,605	16,404

LONDON BOROUGH OF BROMLEY PENSION FUND
FUNDING STRATEGY STATEMENT (FSS)

This Funding Strategy Statement has been prepared by London Borough of Bromley (the Administering Authority) to set out the funding strategy for the London Borough of Bromley Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1. EXECUTIVE SUMMARY

Ensuring that the London Borough of Bromley Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (London Borough of Bromley). The Funding Strategy adopted by the London Borough of Bromley Pension Fund will therefore be critical in achieving this.
The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the London Borough of Bromley Pension Fund.

THE FUND'S OBJECTIVE
The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.
The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected.

SOLVENCY AND LONG TERM COST EFFICIENCY
Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS
As the solvency level of the Fund is 91% at the valuation date (i.e. the assets of the Fund are less than the liabilities), a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will either be expressed as £s amounts (flat or increasing year on year) or as a percentage of pay, as deemed appropriate by the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Full details are set out in this FSS.
The target recovery period for the Fund as a whole is 12 years at this valuation which is 3 years shorter than the corresponding recovery period from the previous valuation.

ACTUARIAL ASSUMPTIONS
The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the “Primary” contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the “Secondary” rate) are set out in Appendix A to this FSS.

The discount rate in excess of CPI inflation (the “real discount rate”) has been derived by considering the expected return on the Fund’s assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate discount rate, consideration has been given to the level of expected asset returns <u>in excess</u> of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.0% per annum and for determining the future service (“Primary”) contribution rates is 2.65% per annum.

The demographic assumptions are based on the Fund Actuary’s bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES
The Fund is a multi-employer pension fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer’s asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES
In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund’s practice and policies in a number of key areas:

Covenant assessment and monitoring
An employer’s financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers’ covenants will be assessed and monitored objectively in a proportionate manner, and an employer’s ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

Following the valuation, the Fund may continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in Appendix D to this statement.

Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in Appendix C. Examples of new employers include:

- Fund Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers will be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

2. INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- Following consultation with such persons as it considers appropriate to the London Borough of Bromley Pension Fund (the "Fund"), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
    - the guidance issued by CIPFA for this purpose; and
    - the Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS
The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS
The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

PRIMARY RATE
The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

SECONDARY RATE
The “Secondary rate” is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

3. PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

4. AIMS AND PURPOSE OF THE FUND

The aims of the fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

The purpose of the fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

5. RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and in particular the Pensions Investment Sub-Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key parties to the FSS:

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS

- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

6. SOLVENCY FUNDING TARGET

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the LGPS so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- As a general rule, a maximum recovery period of 12 years will be adopted.
- By number, academies form the largest group of employers in the Fund. The target total contribution rate for each academy will be equal to the total contribution rate being paid by the LEA schools within the London Borough of Bromley. Recovery periods are adjusted on an individual basis to achieve this, subject to a maximum recovery period of 12 years being applied. Where the maximum recovery period does apply, higher contributions will be payable by those individual academies.
- For other employers, as a general rule the deficit recovery period will remain the same for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon.
- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
    - the **Secondary rate**: a schedule of lump sum monetary amounts or contribution rates expressed as a percentage of pensionable payroll over 2017/20 in respect of an employer's surplus or deficit
- For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.
- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer. The termination policy is set out in Appendix C.
- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Unless allowance is built into the Employers contribution rate, Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund.

7. LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 91% covered by the current assets, with the funding deficit of 9% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in a real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 64%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is:

	Benchmark %
Global Equities	70
Fixed Income	20
Diversified Growth Funds	10
Total	100%

8. IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

FINANCIAL
The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC
The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations
- The level of take-up of the 50:50 option at a higher or lower level than built into the actuarial assumptions.

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Whilst regulatory procedures are in place to ensure that ill-health retirements are properly controlled, employing bodies also need to recognise that unforeseen costs for them will arise in the event that the number of ill-health retirements were to exceed the assumptions made. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the Fund's cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS
The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

REGULATORY
The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE
The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Local Pension Board) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes in the Pensions Investment Sub-Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

9. MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

LONDON BOROUGH OF BROMLEY PENSION FUND
INVESTMENT STRATEGY STATEMENT (ISS)

INTRODUCTION

This Statement has been prepared by the London Borough of Bromley (the Administering Authority) to set out the Investment Strategy for the London Borough of Bromley Pension Fund (the Fund), in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the guidance paper issued by the Department for Communities and Local Government, having consulted with such persons as it considers appropriate.

The Regulations provide that an administering authority must prepare, maintain and publish a written statement of the principles governing its decisions about investments. The Regulations specify six issues that must be addressed in the statement. The following sections of this statement address these issues in turn.

This statement will be kept under review and revised from time to time, but at least every three years.

(a) Investing fund money in a wide variety of investments

The Fund's main long-term objective is to ensure that it has sufficient assets to meet its pension liabilities as they fall due. In order to achieve this, the Fund invests its assets with the aim of maximising investment returns whilst maintaining an acceptable risk level.

The Fund's asset allocation strategy of 70% Global Equities, 20% Fixed Income and 10% Diversified Growth Funds aims to ensure that the Fund's assets are broadly diversified in terms of geographic, foreign exchange, sector or asset class exposure to help reduce overall portfolio risk and volatility, whilst aiming to deliver or exceed the target returns on its investments.

Within these classes, there are three investment managers with a mandate to invest in Global Equities, two for Fixed Income and two Diversified Growth Funds, who are all authorised to invest in all assets permitted under the Regulations, subject to the provisions of their benchmarks and certain minor restrictions. Details of the Investment Guidelines and Restrictions are included below.

(b) The suitability of particular investments and types of investments

The funding strategy adopted for the 2016 valuation is based on an assumption of real investment return of 2.0% per annum above CPI inflation for past service benefits and 2.65% above inflation for future service benefits. In order to maintain as stable as possible a level of employer contributions, the investment returns of the Fund are targeted to match this level.

The trustees of the Fund, the Pensions Investment Sub-Committee, recognise the changing nature of the cash flow and liquidity requirements of the Fund as it matures, with increasing cash outflows from the payment of benefits exceeding cash inflows from employer and employee contributions leading to a cash-negative position which requires investment income to meet its liabilities.

The asset allocation strategy and investment manager selection will be kept under review to ensure that it is able to meet the future cash flow and liquidity requirements of the Fund whilst aiming to meet or exceed the target return and maintain an appropriate balance of risk and volatility.

(c) The approach to risk, including the ways in which risks are to be assessed and managed

At the last full valuation of the Fund (as at 31st March 2016), the Scheme Actuary valued the fund's assets at 91% of the fund's liabilities (82% in the previous valuation as at 31st March 2013), and determined employers' contribution rates with a view to achieving 100% solvency over a 12-year period, taking into account the investment strategy as set out in this statement.

The Pensions Investment Sub-Committee has set targets to out-perform various benchmarks and it believes that the risks associated with a high allocation to growth assets, in particular equities, are justified by the need to improve its funding level and maintain employer contribution rates at a relatively stable level.

By maintaining a diverse portfolio through multiple asset classes and fund managers, the investment strategy is designed to mitigate investment risks such as:

- Concentration/credit – The risk of underperformance or default from a significant allocation to any single investment or type of investment.

- Illiquidity – The risk that the Fund has insufficient liquid assets to meet its cash flow requirements.

- Currency risk – The risk that the currencies of the Fund's assets underperform relative to Sterling.

- Manager underperformance – The failure by the investment managers to achieve their benchmark rate of investment return.

Other key risks that could have an adverse impact on the achievement of the fund's funding strategy and target funding levels are analysed in the fund's Funding Strategy Statement, where they are analysed over financial, demographic, regulatory and governance risks.

(d) The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund formally became a member of the London Collective Investment Vehicle (CIV) in October 2016 as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

Following the outcome of the asset allocation review in February 2017, work will commence on exploring options to transfer investments into the CIV. Assets may be retained outside of the London CIV pool, for example if it is not deemed cost effective in terms of management fees and transition costs, or if the CIV does not have a suitable sub-fund which meets the requirements of the Funds asset allocation and investment strategy.

(e) How social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;

The authority has been advised that its primary responsibility is to secure the best returns for the fund in the interests of its council taxpayers and its members. The Council has decided to take no action at this time in developing an ethical investment policy, having also considered:

- the difficulties involved in identifying companies meeting any ethical investment criteria;
- the possibility of judicial review in the case of any company included in error;
- the difficulty and cost of monitoring any policy;
- the unpredictable impact on investment performance;
- the complications that would arise in relation to performance measurement;
- the requirement this would imply for segregated mandates for all investment managers, potentially leading to increased management and custody costs, and
- the lack of support for such a policy from other employers in the fund.

The authority therefore does not impose any obligation on the investment managers to take account of such considerations in making investments other than to require that investments are not made contrary to UK foreign policy or UK defence policy. However, the managers seek to encourage best corporate practice in companies' management of the social, environmental and ethical impact of their activities. They seek to achieve this by engaging in dialogue with companies in which they invest in order to encourage them to improve policies and practices. In their investments they seek to favour those companies that pursue best practices provided it does not act to the detriment of the return or risk of the portfolio. They also take account of any social, environmental or ethical factors that they consider to be relevant to investment risk.

(f) The exercise of the rights (including voting rights) attaching to the investments

The investment managers have been authorised to exercise voting rights on behalf of the Fund unless specifically instructed to vote in a particular way on any individual resolution. In exercising those rights, they will have regard to the Combined Code issued by the Hampel Committee on Corporate Governance. They have been instructed to report back to the Council's Pensions Investment Sub-Committee every quarter on any material divergence from the recommendations of the Combined Code by companies in which the Council is invested and on action taken by them in response to the divergence. They have also been instructed to report to the Sub-Committee at least every six months on their corporate governance activities generally, including their dialogue with companies' management to encourage sound social, environmental and ethical practices in their activities.

The Sub-Committee will issue instructions on individual matters only in exceptional circumstances, when asked for instructions by a manager or when a specific resolution is brought to their attention. With regard to other rights such as the taking up of rights issues, this is left for the investment managers to decide in the light of their assessment of market conditions at the time.

INVESTMENT GUIDELINES AND RESTRICTIONS

General

Investment is permitted in all classes of assets, subject to the limits imposed by the Regulations on the proportion of the fund which may be invested in certain investments and certain other restrictions imposed by the authority. In addition, the investment managers do not use certain investments as a matter of policy.

All references to percentages in this appendix are to percentages of the total value of all existing investments in the fund before making the investment which is subject to the limit. The limits only apply at the time the investment is made.

Limits imposed by the Regulations

- All investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(d): 5%

Other restrictions imposed by the authority

- Cash held at custodian's bank is not to exceed £2.5m for each individual fund manager, with any excess placed on the money market with the main clearing banks or placed in institutional cash funds approved by the authority
- No sub-underwriting
- Certain limits on use of futures and options are recorded in the relevant investment management agreements and fund prospectuses
- All contributions to any single partnership: 2%
- All contributions to partnerships: 5%
- All deposits with any local authority or precepting body which is an exempt person (within the meaning of the Financial Services and Markets Act 2000) in respect of accepting deposits as a result of an order made under section 38(1) of that Act, and all loans: 10%
- All deposits with any single bank, institution or person (other than the National Savings Bank): 10%
- All investments in unlisted securities of companies: 10%
- Any single holding in unlisted securities: 2% (limit imposed by the authority)
- Any other single holding, apart from investments in OEICs and unit trusts: 10% (there is no limit on investment in single OEICs or unit trusts)
- Any single insurance contract: 25%
- All securities transferred under stocklending arrangements: 25%

Asset Allocation

The current investment strategy comprises the following strategic asset allocations:

	%
Global Equities	70
Fixed Income	20
Diversified Growth	10
Grand Total	**100**

The strategic asset allocations are regularly compared to the actuals and adjusted where required following appropriate advice from the Fund's Independent Investment Advisor.

The Fund Managers have been set the following targets/benchmarks which their performance is measured against:

- Global equities – Baillie Gifford, Blackrock and MFS are all required to outperform the MSCI All Countries World Index.
- Fixed income – Baillie Gifford are required to outperform 88% Sterling Aggregate Benchmark (50% FTSE UK Conventional Gilts Actuaries All stocks index and 50% Bank of America Merrill Lynch Sterling Non-Gilt Index), 6% JP Morgan GBI-EM Global Diversified Index un-hedged in Sterling and 6% Bloomberg Barclays Global Aggregate Credit GBP Hedged Index; Fidelity are required to outperform 50% iBoxx Gilts/50% iBoxx non-Gilts.
- DGF – Baillie Gifford are required to achieve Base Rate + 3.5%; Standard Life are required to achieve 6 month Libor + 5%.

LONDON BOROUGH OF BROMLEY PENSION FUND
COMMUNICATIONS POLICY STATEMENT

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, maintain and publish a Communications Policy Statement. This statement sets out the Council's policy concerning communications with members, members' representatives, prospective members and employing authorities.

Prospective Members		**Responsibility**
Employees' Guide to the Local Government Pension Scheme	**Council employees** All new prospective Scheme members are provided with a booklet before an appointment.	Booklet - Liberata. Distribution - Head of HR and Schools.
	Employees of scheduled bodies other than the Council All new prospective Scheme members are provided with a booklet before or on appointment.	Booklet – Liberata. Distribution - Scheduled body.
	Employees of admitted bodies All new prospective Scheme members are provided with a booklet on meeting the body's admission requirements.	Booklet - Liberata. Distribution - Admitted body.
Annual newsletter	All prospective members are issued with the Scheme's annual newsletter, which carries information on joining the Scheme.	Production & distribution –Liberata in partnership with LBB.
Staff Intranet	The staff intranet contains outline information about the Scheme and details of where further information may be obtained.	Head of Human Resources in conjunction with Director of Finance.
National Website	The address of the LGPS website maintained by the Employer's Organisation for Local Government is published in the Scheme booklet, the annual newsletter and various other documents.	www.lgps.org.uk
Members		
Employees' Guide to the LGPS	A booklet is issued on or before appointment. A further copy is available on request.	
Annual Newsletter	An annual newsletter is issued to all active and prospective members covering relevant pension topics within the LGPS. It will also include any material changes or developments in the Scheme.	Production & distribution –Liberata in partnership with LBB.
Annual Benefit Statement	A statement of accrued and prospective benefits as at 31st March each year is sent to	Production & distribution -

	the home address of all active members. An explanation of the statement and a note of any material changes or developments in the Scheme accompany this.	Liberata.
	A statement of the current value of accrued benefits is sent annually to the home address of deferred members where the current address is known. An explanation of the statement and a note of any material changes or developments in the Scheme accompany this.	Production & distribution - Liberata.
Pay Advice to pensioners	A monthly pay advice is sent to Scheme pensioners if a material difference of £10.00.	Production & distribution - Liberata.
Annual pensions increase advice	A statement setting out increases to pensions is sent to pensioners annually in March/April. This is accompanied by a note of any relevant changes to the Scheme and a reminder to the pensioner to inform the Council of any changes in details.	Production & distribution - Liberata.
Staff Intranet	The staff intranet contains outline information about the Scheme and details of where further information may be obtained.	Head of Human Resources in conjunction with Director of Finance.
National website	The address of the LGPS website maintained by the Employer's Organisation for Local Government is published in the Scheme booklet, the annual newsletter and various other documents.	www.lgps.org.uk
Representatives of members		
Scheme booklet, annual newsletter and other literature	Available on request to Liberata.	
Consultative documents	Consultative documents issued by ODPM are distributed to the trades unions, departmental representatives and staff side secretary where relevant.	Head of Human Resources
Employing Authorities		
Procedure Manual	A manual setting out administrative procedures is issued to employing authorities.	Production & maintenance - Liberata.
Report of Actuarial Valuation	A report on the triennial valuation of the pension fund is distributed to employing	Director of Finance

	authorities shortly after completion.	
Consultative documents	Consultative documents issued by ODPM are distributed to employing authorities where relevant.	Director of Finance

ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, alternative methods are adopted, which make advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)
The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.0% per annum above CPI inflation, i.e. a total discount rate of 4.2% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Inflation (Consumer Prices Index)
Retirement pensions increase annually by the change in the CPI.

The CPI inflation assumption is determined, firstly, by taking the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, then by making the following adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment to allow for the Consumer Price Index being different to the Retail Price Index

The overall adjustment to "market implied" RPI at the valuation date to arrive at the CPI assumption is a reduction of 1.0% per annum.

Salary increases
In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above.

Pension increases/Indexation of CARE benefits
Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. some Guaranteed Minimum Pensions where the LGPS is not currently required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity. The mortality tables used are set out below, with a loading reflecting LGPS experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a long-term improvement trend of 1.75% per annum for males and 1.5% per annum for females.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the proportions married/civil partnership assumption has been modified from the last valuation. No allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 1.0% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation and a slightly higher expected return from the investment strategy has been assumed. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.65% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE “PRIMARY RATE”) FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.2% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.2% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.85% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	2016 study
Annuitant	Normal Health	94% S2PMA_CMI_2015[1.75%] / 87% S2PFA_CMI_2015[1.5%]
	Dependant	117% S2PMA_CMI_2015[1.75%] / 98% S2DFA_CMI_2015[1.5%]
	Ill Health	94% S2PMA_CMI_2015[1.75%] + 3 yrs / 87% S2PFA_CMI_2015[1.5%] + 3 yrs
Active	Normal Health	94% S2PMA_CMI_2015[1.75%] / 87% S2PFA_CMI_2015[1.5%]
	Ill Health	94% S2PMA_CMI_2015[1.75%] + 4 yrs / 87% S2PFA_CMI_2015[1.5%] + 4 yrs
Deferred	All	94% S2PMA_CMI_2015[1.75%] / 87% S2PFA_CMI_2015[1.5%]

Other demographic assumptions are set out in the Actuary’s formal report.

EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will either be expressed as £s amounts (flat or increasing year on year) or as a percentage of pay, as deemed appropriate by the Administering Authority, and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement.

The determination of the recovery periods is summarised in the table below:

Category	***Default Deficit Recovery Period***	***Derivation***
Fund Employers	12 years	Determined by reducing the period from the preceding valuation by at least 3 years. For academies, determined in order to match total contribution rate for LEA schools, subject to recovery period being no more than 12 years.
Open Admitted Bodies	12 years	Determined by reducing the period from the preceding valuation by at least 3 years.
Closed Employers	Lower of 12 years and the future working lifetime of the membership	Determined initially by reducing the period from the previous valuation by at least 3 years.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;

- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed.

Other factors affecting the Employer Deficit Recovery Plans
As part of the process of agreeing funding plans with individual employers, the Administering Authority may consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities.

ADMISSION AND TERMINATION POLICY

This document details the London Borough of Bromley Pension Fund's (LBBPF) policy on the methodology for assessment of ongoing contribution requirements and termination payments in the event of the cessation of an employer's participation in the Fund. This document also covers LBBPF's policy on admissions into the Fund and sets out the considerations for current and former admission bodies. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

Scheme Employers have a statutory right to participate in the LGPS and their staff therefore can become members of the LGPS at any time, although some organisations (Part 2 Scheme Employers) do need to designate eligibility for its staff.

A list of all current employing bodies participating in the LBBPF is kept as a live document and will be updated by the Administering Authority as bodies are admitted to, or leave the LBBPF.

Please see the glossary for an explanation of the terms used throughout this Appendix.

ENTRY TO THE FUND

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation's funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

ADMITTED BODIES PROVIDING A SERVICE

Generally Admitted Bodies providing a service will have a suitable bond or guarantor that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the LBBPF. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the LBBPF it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the LBBPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the LBBPF the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions

PRE-FUNDING FOR TERMINATION

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy, a notional investment strategy will be assumed as a match to the liabilities. In particular the employing body’s notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

EXITING THE FUND

Termination of an employer’s participation

When an employing body terminates for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

In the event that unfunded liabilities arise that cannot be recovered from the employing body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

The LBBPF's policy is that a termination assessment will be made based on a minimum risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the LBBPF's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the LBBPF otherwise. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit on closure. In these circumstances no termination payment will be required from the outgoing employing body itself, as the deficit would be recovered via the successor body's own deficit recovery plan.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases no termination assessment is required as there will no longer be any orphan liabilities in the LBBPF. Therefore, a separate assessment of the assets to be transferred will be required.

Future Terminations
In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the Regulations, in the event of the Administering Authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Administering Authority that it will cease to be a participating employer. In this case, employing bodies are encouraged to open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

The Fund's standard policy is to recover termination deficits (including interest and expenses) as a one off payment. However, at the discretion of the Administering Authority, the deficit can be recovered over an agreed period as certified by the Actuary. This period will depend on the Administering Authority's view on the covenant of the outgoing employer.

Minimum Risk Termination basis

The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2016) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Least risk assumptions	***31 March 2016***
Discount Rate	2.2% p.a.
CPI price inflation	2.2% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

All demographic assumptions will be the same as those adopted for the 2016 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

APPENDIX D

COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis)

enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach.
In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

- Parental Guarantee and/or Indemnifying Bond
- Transfer to a more prudent actuarial basis (e.g. the termination basis)
- Shortened recovery periods and increased cash contributions
- Managed exit strategies
- Contingent assets and/or other security such as escrow accounts.

APPENDIX E

GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Fund / Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis: an approach where the discount rate used to assess the liabilities is determined based on returns in line with assumed CPI inflation only. This is usually adopted when an employer is exiting the Fund.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.
Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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APPENDIX 2

PROPOSED CHANGES TO THE INVESTMENT STRATEGY STATEMENT AND FUNDING STRATEGY STATEMENT TO REFLECT CHANGES TO THE ASSET ALLOCATION STRATEGY

INVESTMENT STRATEGY STATEMENT:

(a) Investing fund money in a wide variety of investments

The Fund's asset allocation strategy of 60% Global Equities, 20% Multi-Asset Income Funds, 15% Fixed Income and 5% UK Pooled Property Funds aims to ensure that the Fund's assets are broadly diversified in terms of geographic, foreign exchange, sector or asset class exposure to help reduce overall portfolio risk and volatility, whilst aiming to deliver or exceed the target returns on its investments, and providing income to pay benefits.

Within these classes, there are three investment managers with a mandate to invest in Global Equities and two for Fixed Income. Two managers for Multi-Asset Income and one for UK Pooled Property are expected to be appointed in December 2017/January 2018. All managers are authorised to invest in all assets permitted under the Regulations, subject to the provisions of their benchmarks and certain minor restrictions. Details of the Investment Guidelines and Restrictions are included below.

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Asset Allocation

The current investment strategy comprises the following strategic asset allocations:

	%
Global Equities	60
Multi-Asset Income Funds	20
Fixed Income	15
UK Pooked Property Funds	5
Grand Total	**100**

FUNDING STRATEGY STATEMENT:

7. LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The current strategy is:

	Benchmark %
Global Equities	60
Multi-Asset Income Funds	20
Fixed Income	15
UK Pooled Property Funds	5
Total	100%

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Report No.
FSD17068

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**
Date:	**26th September 2017**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND PROCUREMENT STRATEGY FOR THE APPOINTMENT OF AN ACTUARY**
Contact Officer:	James Mullender, Principal Accountant Tel: 020 8313 4292 E-mail: james.mullender@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All Wards

1. Reason for report

The Council's current contract with Mercer Ltd for the provision of actuarial services is due to expire on 31st March 2018. It is proposed to re-tender the contract for a period of six years, with an option to extend for a further period of three years. With a potential nine year contract term, the total value of the contract is estimated to be approximately £1,080k (based on estimated activity levels) and, in accordance with the Council's Contract Procedure Rules, the approval of the General Purposes and Licensing Committee is therefore required to enable the procurement process to commence.

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2. RECOMMENDATIONS

2.1. The Pensions Investment Sub-Committee is requested to:

(a) consider the contents of the report;

(b) agree that the contract for the Council's actuary be tendered using an open OJEU process;

(c) agree that the contract length will be for a period of six years with the option to extend for a further period of three years; and

(d) delegate authority to the Director of Finance to approve the optional three year extension in consultation with the Chairman of Pensions Investment Sub-Committee.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A

Corporate Policy

1. Policy Status: Existing Policy: The Council is the administering authority of the London Borough of Bromley Pension Fund, which is operated under the provisions of the Local Government Pensions Scheme (LGPS) Regulations. The regulations require the Pension Fund to appoint an appropriately qualified actuary

2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: Estimated Cost £1,080k gross, £450k net cost

2. Ongoing costs: Recurring Cost £120k per annum gross, £50k per annum net cost to Pension Fund

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £43k budget (after recovery of £80k from providers)

5. Source of funding: Employer and employee pension contributions and Pension Fund investment returns

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Personnel

1. Number of staff (current and additional): N/A

2. If from existing staff resources, number of staff hours: N/A

Legal

1. Legal Requirement: Statutory Requirement. Local Government Pension Scheme (LGPS) Regulations 2013, Public Service Pensions Act 2013.

2. Call-in: Not Applicable

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,159 current employees; 5,121 pensioners; 5,337 deferred pensioners; 103 employers as at 31st July 2017

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1. The Council's contract for the provision of actuarial services has been delivered by Mercer Ltd since January 2013 following a tender exercise, and was due to expire in March 2017. As the 2016 actuarial valuation had not been fully completed at that time, as well as several other one-off pieces of work still being in process, the contract was extended to March 2018 by the Director of Finance under delegated authority.

3.2. The main elements of the service include:

- Triennial valuations (the next one will be carried out in 2019/20; effective from 1st April 2020).
- Annual IAS19 and FRS101/102 accounting schedules for the Council and scheduled/admitted bodies.
- Academy conversion reports/employer admission reports and bond reviews etc.
- Ad-hoc specific commissioning related work/analysis including group transfer calculations and employer termination calculations.
- General and specialist actuarial advice.

3.3. Over recent years the level of actuarial work (and pensions administration work in general) has increased significantly, mainly as a result of schools converting to academy status, the Council's commissioning programme, and various regulatory changes.

3.4. In accordance with the Council's Contract Procedure Rules, the appointment of an actuary is a decision of General Purposes and Licensing Committee. At its meeting on 12th September 2017 the Committee considered the proposals within this report and agreed to delegate authority to Pensions Investment Sub-Committee to:

- Agree that the contract for the Council's actuary be tendered, and the tender process to be followed.
- Agree the contract period, including any optional extension periods.
- Award the contract following the tender process.
- Agree the approval process for any optional contract extensions.

3.5. It is proposed to seek tenders for a period of six years from 1st April 2018 to 31st March 2024, with an option to extend for a further period of three years. This would allow the contract to cover the 2019 and 2022 triennial valuations, and if the optional extension was exercised then this would also cover the 2025 valuation.

3.6. As the total contract value is in excess of the EU threshold, the process must comply with the EU Public Procurement Rules. There are two options available that would comply with this requirement, which are summarised below:

3.7. **The National LGPS Frameworks (let by Norfolk County Council)**

3.7.1. The Actuarial, Benefit and Governance Consultancy Services Framework was launched in 2016 by the National LGPS Frameworks (which were launched in 2012), and consists of four lots: Actuarial Services, Benefits Consultancy, Governance Consultancy and Consultancy to Support Specialist Projects.

3.7.2. The evaluation criteria for the Actuarial, Benefit and Governance Consultancy Services Framework only provides for a maximum price weighting of 20-40% depending upon the lot, and also have fixed element/activity weightings within that. This is in contrast to the Council's standard weighting of 60% for price. There is also a one-off joining fee of up to £5k, depending upon the number of lots used, as well as a requirement to use the framework documentation.

3.8. **An OJEU tender process**

3.8.1. Alternatively, the contract could be tendered using a tender process advertised in the Official Journal of the European Union (OJEU) which would allow the Council to set its own conditions and evaluation criteria. Given that there are only four well established potential providers (see paragraph 6.1 below), there is no benefit in/need for a pre-qualification process, so the tender could use the open process.

3.9. Although there can be benefits to using a framework agreement, such as reduced administrative work, this is not expected to be of much benefit as there are only four potential providers. In addition, when this contract was last tendered in 2012, the costs under another framework were considerably higher. In light of this, and the concern over the framework price evaluation method and weighting, it is proposed that the contract be tendered using an open process including advertising the opportunity in the OJEU and on Contracts Finder.

3.10. **Pricing Strategy**

3.10.1. As a result of the fluctuating levels of actuarial work in recent years, officers have considered the option of requesting tenderers to price the tender on a retainer basis, which would remain fixed for the duration, irrespective of activity levels, and would provide certainty that costs would not increase above that fixed level.

3.10.2. However, activity levels could be lower than anticipated, which would result in the fixed fee being higher than an activity based pricing structure. In addition, should activity increase significantly above that estimated in the tender specification, the provider could contend that the estimated activity levels provided were too low and challenge the fixed fee. As a result, it is intended that the tenderers will be asked to provide unit prices for the various activities which will be combined with the estimated activity levels to provide a total tender price for evaluation.

4. SERVICE PROFILE / DATA ANALYSIS

4.1. A summary of the estimated activity levels for the first six years of the contract period is attached as Appendix 2.

5. CUSTOMER PROFILE

5.1. The Council's Pension Fund makes payments to 5,121 pensioners and widows/dependants, and receives contributions from 6,159 active employees and 103 employers. In addition, there are 5,337 deferred pensioners (all figures as at 31st July 2017).

6. MARKET CONSIDERATIONS

6.1. There are currently only four actuaries providing a full actuarial service to Local Government Pension Scheme administering authorities: Mercer, Barnett Waddingham, Hymans Robertson and Aon Hewitt.

7. STAKEHOLDER CONSULTATION

7.1. This is a corporate Council contract that does not materially affect the way services are provided to our stakeholders. No formal consultation is required in advance of a tendering exercise.

7.2. Should the tendering exercise result in a change of actuary, the Council's pensions administration provider, Liberata, will need to be fully engaged in the transfer.

7.3. Members of the Pensions Investment Sub-Committee are the trustees of the Pension Fund, and will be consulted through the tendering and award process.

8. SUSTAINABILITY / IMPACT ASSESSMENTS

8.1. This proposal has been judged to have little or no impact on local people and communities.

9. OUTLINE PROCUREMENT STRATEGY & CONTRACTING PROPOSALS

9.1. Estimated Contract Value

9.1.1. The total gross contract value is estimated to be £1,080k, £630k of which will be recovered from providers/employers, leaving a net cost of £450k to be met from the Pension Fund.

9.1.2. The estimated values above are based on historic data, as the costs for a single year will vary depending upon whether the triennial valuation process is carried out in that year.

9.1.3. It should be noted that the actual costs could vary by potentially significant amounts dependent upon various factors outside of the contract manager's control, such as:

- Volume of complex commissioning proposals requiring specialist advice prior to tender or contract award.
- Volume of services commissioned externally (either new services, or a change of provider) resulting in new admitted bodies within the fund.
- Volume of group transfer calculations required.
- Changes to legal or regulatory requirements resulting in additional work/analysis etc.

9.1.4. A number of the costs included in the overall contract such as the annual accounting schedules, academy conversion/employer admission reports are recharged to the individual providers/employers.

9.2. Other Associated Costs

9.2.1. The tendering exercise will be carried out within existing resources at no additional cost.

9.2.2. Should the outcome of the tender result in a change of actuary, there will be some resource implications associated with the transfer, however it is expected that this would also be contained within existing resources.

9.3. Proposed Contract Period

9.3.1. It is proposed that the contract will be for a period of six years, with an option to extend for a further period of three years, with authority to agree the extension delegated to the Director of Finance in consultation with the Chairman of Pensions Investment Sub-Committee.

9.4. Procurement Project Plan

9.4.1. Given the limited number of potential providers, it is intended that the contract is tendered using an open process, including advertising the tender in the OJEU and on Contract Finder.

9.4.2. The invitation to tender will require tenderers to complete a pricing schedule based on estimated activity levels, and to answer a range of questions on service provision (quality, experience, resources, ability/willingness to comply with Council requirements etc).

9.4.3. It is proposed that the tender will be evaluated on the basis of 60% pricing and 40% quality and will be carried out using the Council's standard CIPFA evaluation model.

9.4.4. The quality criteria have yet to be finalised, but are likely to include areas such as:

- Resources assigned to/supporting the contract
- Actuarial approach & research
- Processes & systems
- Availability of further technical/specialist resources
- Example triennial valuation report and accounting schedules
- Additional services offered/innovation
- Interview/presentation

9.4.5. The Council includes a minimum quality threshold element within its quality evaluation to ensure the proper consideration of these matters, within the cost/quality ratio employed during the tender evaluation process.

9.4.6. Due to the interrelated nature of the services to be provided, it is considered that there would be no benefit in splitting the service into different lots to be tendered, and it could even be detrimental if different actuaries were carrying out different elements of the work.

9.4.7. The Council's Contract Procedure Rules require that the General Purposes and Licensing Committee be formally consulted on the intended action and contracting arrangements relating to the Pension Fund (with the exception of the appointment of Investment Managers and Advisers, which rests with the Pensions Investment Sub-Committee), following any recommendations from Pensions Investment Sub-Committee.

9.4.8. It is expected that the new contract will be awarded at the start of March 2018 as set out in the draft summary timetable attached at Appendix 1.

10. POLICY CONSIDERATIONS

10.1. Regulation 62 of The Local Government Pension Scheme Regulations 2013 requires administering authorities to obtain "an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards". The Regulations include various other requirements that would entail the services of an actuary. The Council is the administering authority of the London Borough of Bromley Pension Scheme.

11. COMMISSIONING & PROCUREMENT CONSIDERATIONS

11.1. The value of the activity is above the EU Services Threshold and therefore the Council needs to identify a "compliant" route for the placement of the service, and the Open Process would seem an appropriate arrangement to make use of in the circumstances identified.

12. FINANCIAL CONSIDERATIONS

12.1. The 2017/18 gross budget for actuarial services is £123k, of which £80k is budgeted to be recovered from providers/employers, leaving a net cost of £43k which is charged to the Pension Fund.

12.2. Based on average activity levels, the estimated gross cost over the three year triennial valuation cycle is £120k per annum, and £50k net of provider/employer recharges. Over the potential nine year contract term, the estimated total gross cost is £1,080k, with a net cost of £450k.

12.3. As the costs of this contract (net of recovery from providers/employers) are charged to the Pension Fund, there will be no direct impact on the Council's revenue budget.

13. LEGAL CONSIDERATIONS

13.1. The service is subject to the application of the Public Contracts Regulations 2015 (Regulations) and as the proposed contract value exceeds the relevant threshold will need to be procured in full compliance with the Regulations.

13.2. Tendering the contract competitively in compliance with the Regulations will also ensure compliance with competition requirements in Rule 8 of the Council's Contract Procedure Rules.

13.3. Consideration must also be given to the Public Services (Social Value) Act 2012 which places a requirement, at the pre-procurement stage, to consider how what is to be procured may improve social, environmental and economic wellbeing of the relevant area, how they might secure any such improvement and to consider the need to consult; that the strategy maximises best value.

Non-Applicable Sections:	Personnel Considerations, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	

Draft Procurement Timetable

Activity	Date
Approval to commence tendering	26th September 2017
Issue of OJEU contract notice	9th October 2017
Receipt of tenders	28th November 2017
Evaluation and review process	
Identification of final bidder	5th January 2018
Pensions Investment Sub-Committee decision to award	20th February 2018
Standstill / Call-in Period	
Contract Award	5th March 2018

Estimated Activity Levels 2018/19 to 2023/24 *

Activity	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Triennial valuations including employer schedules, bond reviews, attendance at committee meetings etc		1			1	
IAS19 & FRS101/102 schedules	100	105	110	110	110	110
Academy conversion reports	4	2	0	0	0	0
Employer admission reports	5	5	5	5	5	5
Bond reviews	3	3	3	3	3	3
Ad-hoc specialist advice (hours)			**			
Helpline annual fee	1	1	1	1	1	1
Attendance at LBB meetings (officer and committee)	4	4	4	4	4	4

* The above activity levels are indicative only and will be refined prior to the tender
** Mercer will be required to provide historic data on the number of ad-hoc hours provided to inform the estimated levels for the tender

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