Report No.
RES12030

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**
Date:	**9th February 2012**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSION FUND PERFORMANCE Q3 2011/12**
Contact Officer:	Martin Reeves, Principal Accountant (Technical & Control) Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk
Chief Officer:	Director of Resources
Ward:	All

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1. Reason for report

This report includes summary details of the investment performance of Bromley's Pension Fund for the first three quarters of the financial year 2011/12. It also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements. More detail on investment performance is provided in a separate report from the Fund's external advisers, AllenbridgeEpic, which is attached as Appendix 7. Representatives of Fidelity and Baillie Gifford will be present at the meeting to discuss performance, economic outlook/prospects and other matters.

RECOMMENDATION

2.1 The Sub-Committee is asked to note the report.

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 2007, for the purpose of providing pension benefits for its employees. These regulations 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 £2.8m (includes fund manager/actuary fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £33.4m expenditure (pensions, lump sums, etc); £39.6m income (contributions, investment income, etc); £462.1m total fund value at 31st December 2011)

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 2007

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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 5,054 current employees; 4,608 pensioners; 4,094 deferred pensioners

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Ward Councillor Views

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

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Fund Value

3.1 The market value of the Fund rose during the December quarter to £462.1m (£434.0m as at 30th September 2011). The comparable value one year ago (as at 31st December 2010) was £482.3m. At the time of finalising this report (as at 30th January 2012), the fund value had increased to £483.2m. Historic data on the value of the Fund, together with details of distributions of the revenue fund surplus cash to the fund managers and movements in the value of the FTSE 100 index, are shown in a table and in graph form in Appendix 1. Members will note that the fund value tracks the movement in the FTSE 100 fairly closely, even though, since 2006, only around 30% of the fund has been invested in the UK equity sector.

Performance targets

3.2 Up to 2006, the Fund managers' target was to outperform the local authority universe average by 0.5% over rolling three year periods. As a result of a review of the Fund's management arrangements in 2006, however, both managers were set performance targets relative to their strategic benchmarks. Baillie Gifford's target is to outperform the benchmark by 1.0% - 1.5% over three-year periods, while Fidelity's target is 1.9% outperformance over three-year periods. Since then, the WM Company has measured their results against these benchmarks, although, at total fund level, it continues to use the local authority indices and averages. Other comparisons with local authority averages may be highlighted from time to time to demonstrate, for example, whether the benchmark itself is producing good results.

Investment returns for 2011/12 (short-term)

3.3 A summary of the two fund managers' performance in the first three quarters of 2011/12 is shown in the following table and details of returns and holdings are provided in Appendix 2. In the first two quarters of 2011/12, Bromley's Fund achieved overall local authority universe rankings of 85% in June and 96% in September (1% being the best and 100% the worst). These are disappointing returns, but the Fund's medium and long-term performance returns, set out in paragraphs 3.4 and 3.5, remain strong.

Quarter	Baillie Gifford		Fidelity		Total Fund		LA Ave	LA Ave
	BM %	Return %	BM %	Return %	BM %	Return %	Return %	Ranking (1 – 100)
Jun-11	1.2	1.1	1.5	0.6	1.4	0.9	1.6	85
Sept-11	-11.9	-12.2	-10.5	-12.2	-11.2	-12.2	-9.0	96
Dec-11	5.9	6.3	6.4	6.8	6.2	6.5	n/a	n/a
Cumulative	-5.5	-5.7	-3.2	-5.6	-4.4	-5.7	n/a	n/a
Year to Sept 2011	-3.8	-3.5	-2.2	-5.0	-3.0	-4.2	-1.0	97
Year to Dec 2011	-4.1	-4.5	-1.9	-4.5	-4.5	-3.0	n/a	n/a

Both managers were 0.4% ahead of their respective benchmarks for the December quarter. Over the year to 31st December 2011, both managers had a negative return of -4.5%, Baillie Gifford being 0.4% behind their index and Fidelity being 2.6% behind theirs. Local authority comparisons for the December quarter are not yet available, but Bromley's local authority universe ranking in the year to 30th September 2011 was in the 97th percentile. More detailed information is provided in AllenbridgeEpic's report (Appendix 7).

Investment returns for 2002-2011 (medium/long-term)

3.4 While short-term performance in the last year has been somewhat disappointing, the Fund's medium and long-term returns remain very strong. Long-term rankings to 30th September 2011 (in the 5th percentile for three years, in the 6th percentile for five years and the 4th percentile for ten years) were very good and underlined the fact that Bromley's performance has been particularly strong in the last few years as the investment strategy driven by the revised benchmark adopted in 2006 has bedded in. Rankings for individual years were 22% in 2010/11, 2% in 2009/10, 33% in 2008/09, 5% in 2007/08, 100% in 2006/07, 5% in 2005/06, 75% in 2004/05, 52% in 2003/04, 43% in 2002/03 and 12% in 2001/02. The Fund's Statement of Investment Principles (approved at the September meeting) includes the following as one of the good governance principles the Fund is required to comply with: "Returns should be measured quarterly in accordance with the regulations; a longer time frame (three to seven years) should be used in order to assess the effectiveness of fund management arrangements and review the continuing compatibility of the asset/liability profile". Given the long-term nature of pension fund liabilities, this reinforces the point that Pension Fund management is a long-term business and that medium and long-term returns are of greater importance than short-term returns.

3.5 The table below sets out comparative returns over 3, 5 and 10 years for the managers over periods ended 31st December 2011 and 30th September 2011. Baillie Gifford's returns for all periods (13.2%, 5.7% and 6.9% respectively) compare favourably with those of Fidelity (11.4%, 5.3% and 6.2% respectively).

	Baillie Gifford			**Fidelity**				
Annualised returns	Return	BM	+/-	Return	BM	+/-	LA Ave	Rank
	%	%	%	%	%	%	%	
Returns to 31/12/11								
3 years (01/01/09-31/12/11)	13.2	9.8	3.0	11.4	10.0	1.2	n/a	n/a
5 years (01/01/07-31/12/11)	5.7	3.6	2.0	5.3	3.1	2.1	n/a	n/a
10 years (01/01/02-31/12/11)	6.9	5.7	1.0	6.2	5.6	0.6	n/a	n/a
Returns to 30/09/11								
3 years (1/10/08-30/09/11)	9.5	6.9	2.4	8.5	6.7	1.7	6.0	5
5 years (1/10/06-30/09/11)	5.3	3.3	2.0	4.7	2.7	1.9	2.3	6
10 years (1/10/01-30/09/11)	7.0	5.9	1.0	6.2	5.7	0.5	5.6	4

Fund Manager Comments on performance and the financial markets

3.6 The two fund managers have provided a brief commentary on recent developments in financial markets, their impact on the Council's Fund and the future outlook. These are attached as Appendices 3 and 4 respectively.

Early Retirements

3.7 Commentary and a summary of early retirements by employees in Bromley's Pension Fund in the current year and in previous years is shown in Appendix 5.

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 2007, for the purpose of providing pension benefits for its employees. These regulations 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 Details of the actual position to 31st December 2011 for the 2011/12 Pension Fund Revenue Account are provided in Appendix 6 together with fund membership numbers. A net surplus of £6.4m was achieved in the first three quarters of the year (mainly due to investment income) and total membership numbers rose by 129. The overall proportion of active members, however, is declining and has fallen from 38.5% at 31st March 2011 to 36.7% at 31st December 2011.

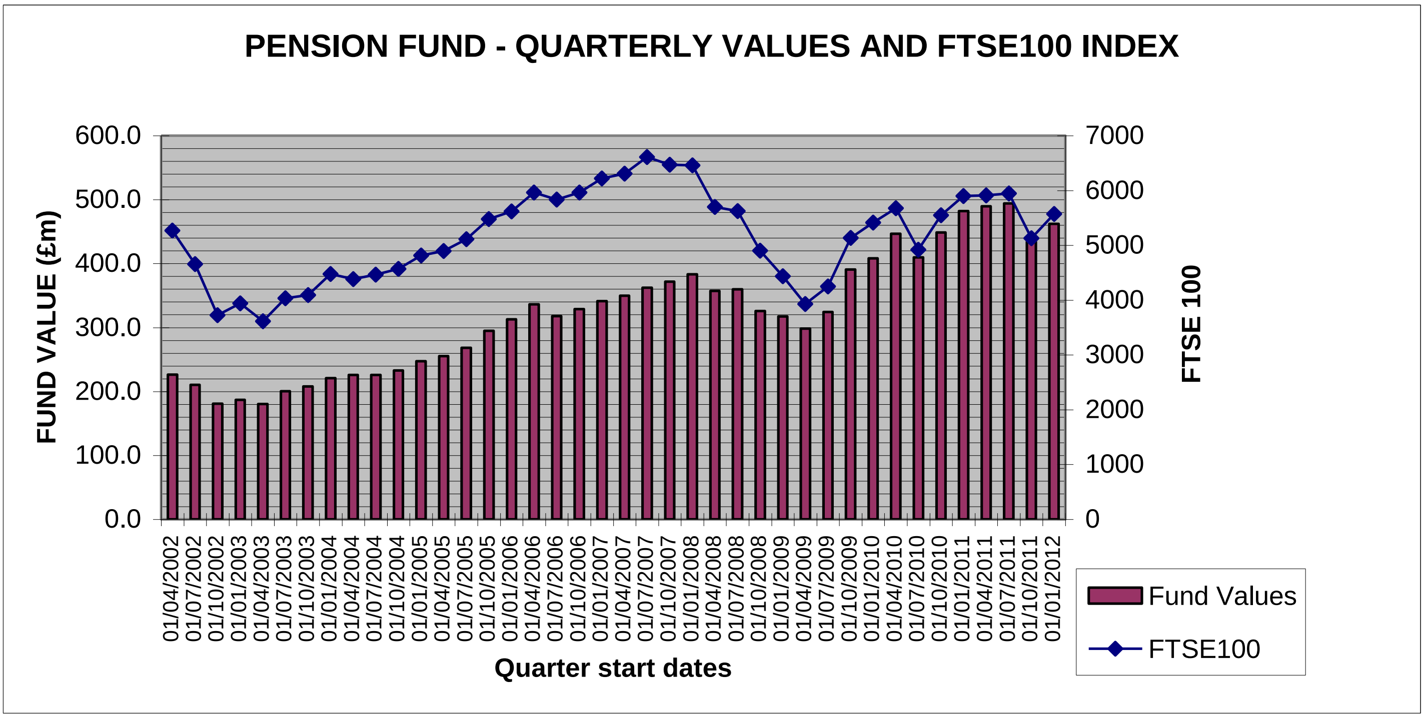
Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Analysis of portfolio returns (provided by WM Company). Monthly and quarterly portfolio reports of Fidelity and Baillie Gifford. Quarterly Investment Report by AllenbridgeEpic

Appendix 1

MOVEMENTS IN MARKET VALUE & FTSE100 INDEX

Market Value as at	**Fidelity**	**Baillie Gifford**	**CAAM**	**Total**	Revenue Surplus Distributed to Managers*	FTSE 100 Index
	£m	**£m**	**£m**	**£m**	£m	
31st March 2002	112.9	113.3	-	226.2	0.5	5272
31st March 2003	90.1	90.2	-	180.3	-	3613
31st March 2004	112.9	113.1	-	226.0	3.0	4386
31st March 2005	126.6	128.5	-	255.1	5.0	4894
31st March 2006	164.1	172.2	-	336.3	9.1	5965
31st March 2007	150.1	156.0	43.5	349.6	4.5	6308
31st March 2008	151.3	162.0	44.0	357.3	2.0	5702
31st March 2009	143.5	154.6	-	298.1	4.0	3926
31st March 2010	210.9	235.5	-	446.4	3.0	5680
31st March 2011	227.0	262.7	-	489.7	3.0	5909
30th June 2011	228.4	265.7	-	494.1	-	5946
30th September 2011	201.0	233.0	-	434.0	-	5128
31st December 2011	214.4	247.7	-	462.1	-	5572
30th January 2012	222.9	260.3	-	483.2	-	5712

* Distribution of cumulative surplus during the year.



FUND MANAGER PORTFOLIO RETURNS AND HOLDINGS 2011/12

BAILLIE GIFFORD - Portfolio returns and holdings 2011/12												
	Quarter End 31/12/11				Quarter End 30/09/11				Quarter End 30/06/11			
	Weighting		Returns		Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%	%	%	%	%
UK Equities	25.0	18.5	8.4	7.4	25.0	18.6	-13.5	-13.7	25.0	19.2	1.9	3.3
Overseas Equities												
- USA	18.0	19.5	11.3	11.6	18.0	19.1	-11.8	-10.2	18.0	19.3	-0.4	1.1
- Europe	18.0	19.6	3.3	5.8	18.0	19.9	-24.3	-18.0	18.0	21.3	3.1	1.7
- Far East	9.5	9.0	1.1	0.0	9.5	9.8	-11.3	-8.3	9.5	9.8	0.3	1.1
- Other Int'l	9.5	15.2	4.2	7.5	9.5	15.0	-19.2	-20.3	9.5	15.5	-1.8	-3.1
UK Bonds	18.0	12.1	3.7	3.4	18.0	12.4	5.0	3.8	18.0	10.5	2.2	2.4
Cash	2.0	6.1	0.3	0.0	2.0	5.2	0.2	-0.4	2.0	4.4	0.2	0.1
TOTAL	100.0	100.0	5.9	6.3	100.0	100.0	-11.9	-12.2	100.0	100.0	1.2	1.1

FIDELITY - Portfolio returns and holdings 2011/12												
	Quarter End 31/12/11				Quarter End 30/09/11				Quarter End 30/06/11			
	Weighting		Returns		Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%	%	%	%	%
UK Equities	35.0	35.2	8.4	8.5	35.0	35.6	-13.5	-14.7	35.0	35.2	1.9	-0.1
Overseas Equities												
- USA	12.5	13.0	11.9	12.0	12.5	12.6	-11.4	-15.2	12.5	13.2	-0.2	-0.7
- Europe	12.5	11.6	3.7	4.9	12.5	11.8	-23.7	-25.9	12.5	12.7	3.2	3.5
- Japan	5.0	4.9	-3.8	-2.7	5.0	5.1	-2.2	-2.8	5.0	4.0	0.2	0.1
- SE Asia	5.0	5.5	6.4	6.9	5.0	5.4	-18.1	-18.4	5.0	5.5	0.1	-0.1
- Global	10.0	9.8	8.0	6.1	10.0	9.8	-14.0	-14.2	10.0	11.1	0.5	-0.6
UK Bonds	20.0	20.0	4.3	4.3	20.0	19.7	5.2	4.3	20.0	18.3	2.3	2.7
Cash	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	-1.1
TOTAL	100.0	100.0	6.5	6.8	100.0	100.0	-10.5	-12.2	100.0	100.0	1.5	0.6

WHOLE FUND - Portfolio returns and holdings 2011/12												
	Quarter End 31/12/11				Quarter End 30/09/11				Quarter End 30/06/11			
	Weighting		Returns		Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%	%	%	%	%
UK Equities	n/a	26.3	8.4	8.1	n/a	26.4	-13.5	-14.3	n/a	26.6	1.9	1.2
Overseas Equities												
- USA	n/a	16.5	11.6	11.7	n/a	16.1	-11.6	-12.1	n/a	16.5	-0.3	0.4
- Europe	n/a	15.9	3.5	5.5	n/a	16.1	-24.0	-20.5	n/a	17.3	3.2	2.3
- Far East	n/a	9.7	0.5	1.1	n/a	10.1	-10.8	-9.7	n/a	9.6	0.2	0.5
- Other Int'l	n/a	8.1	4.2	7.5	n/a	8.1	-19.2	-20.3	n/a	8.4	-1.8	-3.1
- Global	n/a	4.6	8.0	6.1	n/a	4.6	-14.0	-14.2	n/a	5.1	0.5	-0.6
UK Bonds	n/a	15.7	3.8	3.9	n/a	15.8	5.1	4.1	n/a	14.1	2.2	2.6
Cash	n/a	3.2	0.3	0.0	n/a	2.8	0.2	-0.3	n/a	2.4	0.2	0.1
TOTAL	n/a	100.0	6.2	6.5	n/a	100.0	-11.2	-12.2	n/a	100.0	1.4	0.9

Appendix 3

Baillie Gifford Report for the quarter ended 31 December 2011

Investment Performance to 31 Dec 2011

	Fund	Benchmark
5 years (%pa)	5.7	3.6
3 years (%pa)	13.2	9.8
1 year (%)	-4.5	-4.1
Quarter (%)	6.3	5.9

Commentary

The headlines have been relentlessly gloomy, dominated by European politicians railing against Anglo-Saxon financiers, British prime ministers and profligate Greeks. However, rhetoric aside, there is evidence that politicians and central bankers now appreciate that there is a genuine crisis within the Eurozone.

The most significant sign of this is that the ECB has made almost €500 billion of funding available to banks on easy terms. This is a form of quantitative easing (QE) by the back door, since the banks will mainly buy government bonds with these funds. So we appear to be closer to a resolution and banks are rightly recognised as the point of vulnerability within the system. This is good news but will neither stop the flow of Robert Pestonesque gloomy headlines nor necessarily make European banks sure things from an equity perspective.

There are clearer encouraging signs from across the Atlantic - the American economy has just enjoyed its strongest quarter of positive economic surprises for twenty years, showing reviving strength in the areas of manufacturing, employment, consumer confidence, job creation and even housing. There are good reasons for this: households and businesses have materially reduced their leverage, and low interest rates (the 20 year mortgage rate hit a record low this quarter) encourage spending. There is also no doubt that the Federal Reserve will continue with conventional and unconventional stimulation for some time.

Our optimism about long-term developments in China, based on the durable forces of urbanisation, emulation and education, remains undimmed. The investment opportunities that result are by no means restricted to the Chinese market. There will certainly be booms and busts along the path of China's development, but we stress that the country has ample resources to solve problems as they arise, whether in the banking sector, local government or elsewhere. We view the specific instance of falling high-end real estate prices, which have generated so much angst, as the successful achievement of a government policy designed to boost much needed social housing at the expense of speculation.

UK bond yields fell yet again. This was partly because the gilt market is a surviving member of the ever-smaller AAA sovereign borrowers club. The Bank of England announced a further £75 billion in QE, which will be directed towards gilts, and longer-term asset allocation shifts towards bonds from equities in company pension schemes continued. From an economic perspective, there are portents that UK inflation will finally fall, to Mervyn King's relief.

In the meantime, our stock-picking style makes individual companies' prospects and execution more important to relative performance than national and international events. We are living in an era of revolutionary change in industries such as healthcare, retail and technology. Regardless of the news-flow, these are fertile conditions for growth-oriented equity investment.

Investment Performance

Despite the headlines, markets rallied during the fourth quarter, leaving the fund down a little for the year as a whole. This, seemingly dull, outcome obscures the fact that different markets produced a diverse range of returns:

North American shares were flat, while Emerging Markets were down considerably; UK government bonds did very well.

The fund was marginally behind its benchmark over the 12 months. Our asset allocation was the main culprit: our longstanding preference for Emerging Markets was a drag, as was our underweight exposure to bonds. We do, of course, periodically review all our investment positions, but we are not minded to reverse course in either of these at this point.

More positively, our equity stock selection was generally helpful during 2011, and we were ahead of the index in all the developed markets. There were strong contributions from steady growth businesses like Imperial Tobacco and Brown-Forman, maker of Jack Daniels. When times are tough, the market often heads for the security these companies offer.

The fund also benefitted from holding some shares that are exposed to the recovering US economy: industrial supplies distributor Fastenal and DIY chain Home Depot for example, along with car parts retailer, O'Reilly Automotive. We've also been correct, in the main, to avoid the banks.

There were some stock specific disappointments. Olympus was a high profile faller, as the dramatic ousting of its chief executive and discovery of accounting irregularities led to a sharp fall in the shares. We recognise that there remains the potential for further bad news on Olympus, but believe that the value in the underlying endoscopes and camera businesses justify us retaining the holding for now. The New Year has seen a decent recovery in the stock. Celesio, the European pharmaceutical wholesaler, also fared badly in the face of government austerity hurting pricing and increased competition. We feel this is rather overdone and scope remains for good future profit growth.

Changes to the Portfolio

The relatively small changes to the fund over the past three months include some good examples of how we have adapted our investments to the current environment while sticking with some trusted themes.

Our view that the outlook for southern Europe may be less bad than feared has influenced the new buy of Greek company Titan Cement. Titan has strong positions in markets around the Mediterranean, and, while current trading is undoubtedly depressed, we are prepared to take a holding now and wait for recovery. Demand for Japanese bicycle component maker Shimano's products is also likely to be sensitive to the economic climate, but again we are confident in the long-term attractions of the business and are willing to initiate a position today in anticipation of future expansion based on the growing popularity of cycling as a leisure activity and way of keeping fit.

In America, the addition to car parts retailer O'Reilly Automotive is partly down to a more positive impression of the US economy's prospects. We also added to some other cyclically sensitive stocks in Amec, which provides engineering services to the oil and mining sectors; Weir Group, the British pumps and valves manufacturer; and Aveva Group, which specialises in software designs used in complex capital projects such as oil facilities and power stations.

On the opposite side of the ledger, we have sold out of AMP Limited, the Australian wealth services provider, believing that fee competition is increasing. Government austerity measures are likely to hurt Ultra Electronics Inc. , which provides niche defence-related products mainly to the US and UK markets and we have made a complete sale.

We've also sold the positions in technology hardware companies Cisco Systems and Linear Technology. The tech sector is rapidly evolving, and we are no longer confident that the two businesses can keep up.

These sales, along with reductions to some stocks which had performed relatively well (GBL, Nestle and Oracle for example) have left the fund with a cash holding that is somewhat higher than normal. We are comfortable with this: the uncertain investment background means that the equity market could remain volatile in the short term, and we are happy to wait for the opportunity to make additions to individual shares. Meanwhile, with gilt yields at historic low levels, we remain unenthusiastic about bonds.

Appendix 4

2011 Q4 – Fidelity Market Commentary

Investment Performance to 31 Dec 2011

	Fund	Benchmark
5 years (%pa)	5.3	3.1
3 years (%pa)	11.4	10.0
1 year (%)	-4.5	-1.9
Quarter (%)	6.8	6.5

The Fund out performed over the quarter returning +6.8% relative to the composite benchmark return of +6.5%. Stock markets ended the quarter higher as positive US economic data on the jobs and housing markets, coupled with supportive policy actions by several major central banks buoyed investor sentiment. Markets, however, faced frequent pullbacks on concerns that the spiralling debt crisis in Europe would lead to weaker global growth. All major regional indices, with the exception of Japan, advanced. US market performance (+11.3%) was the most encouraging as its economy stayed on course for moderate growth. Equities in the UK, Pacific ex Japan, emerging markets and Europe ex UK followed. At a sector level, energy stocks generated the highest returns, whilst utilities lagged. The financials sector also fared poorly as continued uncertainty about the health of eurozone economies and banks hurt confidence.

The UK Fund continues to follow a strategy of investing in mispriced industry winners. These are typically larger companies, many of which have world class businesses and are, in our opinion, well-placed to benefit from the faster growth in overseas markets. Economic data sent mixed signals about the strength of global recovery, but there were some positive signs towards the end of the quarter. Your portfolio modestly out performed the index as strong stock selection in the health care sector and other specific stock positions off set losses within the banking sector.

In a low-growth environment, companies with strong balance sheets and the wherewithal to fund their own growth have a competitive advantage. These are the companies that we look to invest in, and we believe that the portfolio is well-positioned to benefit from the current environment. Currently, UK equities appear to be fairly valued versus history, but they remain attractive when compared with other asset classes.

Government bonds advanced as the Bank of England's (BOE) efforts to bolster the economy with record low interest rates and bond purchases helped Gilts. Volatility remained elevated given the political uncertainties in Greece and Italy, which led to the fall of the political leadership in both countries. Despite significant market volatility, corporate bonds posted positive returns. Credit spreads widened marginally overall, but was offset by coupon income and falling government bond yields.

The BoE's quantitative easing programme, worsening eurozone crisis and falling expectations for growth and inflation drove Gilt yields to all-time lows. Looking ahead, investment grade corporate bonds offer the best return potential, with company fundamentals still in decent shape. However, credit fundamentals have peaked and might worsen, but valuations look attractive. Credit spreads are at their highest level in over two years, but companies are in much better shape and should show greater resilience to the poor macro environment.

Appendix 5

EARLY RETIREMENTS

A summary of early retirements 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 three year period 2007-2010, the long-term cost of early retirements on ill-health grounds was well below the actuary's assumption in the 2007 valuation of £800k p.a. In the latest valuation of the fund (as at 31st March 2010), the actuary assumed a figure of £82k in 2010/11, rising with inflation in the following two years, and, in the first three quarters of 2011/12, there were five ill-health retirements with a long-term cost of £444k. Although this is already well in excess of the actuary's estimate, this will not have a material impact on the employer contribution rate.

The actuary does not make any allowance for other early retirements, because it is the Council's policy to fund these in full by additional voluntary contributions. In the first three quarters of 2011/12, there were 41 other (non ill-health) retirements with a total long-term cost of £786k. Provision has been made in the Council's budget for severance costs arising from staff redundancies and contributions will be made to the Pension Fund from this provision to offset these costs.

Long-term cost of early retirements	**Ill-Health**		**Other**	
	No	£000	No	£000
Qtr 3 – Dec 11 - LBB	2	186	3	46
- Other	-	-	4	69
- Total	2	186	7	115
2011/12 to date – LBB	5	444	32	603
- Other	-	-	9	183
- Total	5	444	41	786
Actuary's assumption - 2010 to 2013		82 p.a.		N/a
- 2007 to 2010		800 p.a.		N/a
Previous years - 2010/11	1	94	23	386
- 2009/10	5	45	21	1,033
- 2008/09	6	385	4	256
- 2007/08	11	465	11	260

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2010/11 £'000's	Estimate 2011/12 £'000's	Actual to 31/12/11 £'000's
INCOME			
Employee Contributions	6,040	6,100	4,300
Employer Contributions	22,204	22,500	15,100
Transfer Values Receivable	4,757	4,000	3,500
Investment Income	7,478	7,000	6,800
Total Income	40,479	39,600	29,700
EXPENDITURE			
Pensions	19,223	20,000	15,400
Lump Sums	6,006	6,500	4,900
Transfer Values Paid	2,734	4,000	1,600
Administration	3,049	2,800	1,400
Refund of Contributions	17	100	-
Total Expenditure	31,029	33,400	23,300
Surplus/Deficit (-)	9,450	6,200	6,400

MEMBERSHIP	**31/03/2011**	**31/12/2011**
Employees	5,246	5,054
Pensioners	4,522	4,608
Deferred Pensioners	3,859	4,094
	13,627	13,756