

**LONDON
BOROUGH OF
BROMLEY
PENSION FUND**

**ANNUAL
REPORT 2011/12**

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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”), and to comply with regulation 34 of the Local Government Pension Scheme (Administration) Regulations SI2008 No 239.

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 final salary 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-protected 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.

In 2010, the government appointed Lord Hutton to head a commission into public sector pensions. Lord Hutton issued his report in 2011 and the key recommendations, which were accepted by the government as a basis for consultation, were:

- Final salary scheme to be replaced by career average scheme, but existing accrued pension rights to be honoured;
- Normal pension age to be linked to state pension age (set to rise to 66 by 2020);
- If the employer contribution exceeds a set ceiling (to be determined), there should be a review of costs, which could include the option to increase employee contributions or, alternatively, a review of the whole scheme.

Agreement has recently been reached between trade unions and government ministers over the reform of the scheme. The main elements of the new scheme were agreed in December 2011 but, since then, the Local Government Authority and the trade unions have been negotiating with the government over details such as the accrual rate and revaluation rate to ensure the new scheme stays within the cost ceiling set by the government. The new LGPS will be in place by 1st April 2014.

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 Fund’s managers are regulated by the Financial Services Authority (FSA). The Fund’s investment managers are set individual performance targets marked against relevant market benchmarks.

2011/12 was a volatile year in terms of returns for markets, with large negative returns in the first half year being more than offset by positive returns in the second. Overall, the total Fund value rose from £489.4m at 1st April 2011 to £501.5m at 31st March 2012. In 2011/12, the Fund outperformed the benchmark by 0.2% overall, achieving a return of +2.2% compared to the benchmark return of +2.0%. With regard to the local authority universe average, however, the Fund return was 0.4% behind. Further details about the Fund’s performance

can be found on pages 8 to 12. Our investment policy is summarised on page 8 and further details are set out in the Statement of Investment Principles on pages 50 - 57.

This Annual Report was reported to the meeting of the Pensions Investment Sub-Committee on 19th September 2012.

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 final salary 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. Councillors are eligible to join the scheme at the discretion of individual councils, although councillors' pensions are based on career average Members' allowances (in Bromley, the Council has decided that all councillors under 70 can elect to join).

As well as for its own employees, the Fund provides for employees who transferred from the Council to Broomleigh Housing Association, Bromley Mytime and Beckenham Mind. 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 the three colleges of further education within the borough (Bromley, Orpington and Ravensbourne Colleges) and these are 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 2007. 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 Finance Director) 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 21 - 22) 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 2011 to 31st March 2012 comprised:

Councillor Paul Lynch (Chairman)
Councillor Richard Scoates (Vice-Chairman)
Councillor Eric Bosshard
Councillor Julian Grainger
Councillor Russell Jackson
Councillor Russell Mellor
Councillor Neil Reddin
Non-voting staff representative: Glenn Kelly

In 2011/12, the Council used the services of a number of professional advisers, including:

Actuary and "ad hoc" adviser

Barnett Waddingham LLP, 163 West George St, Glasgow, G2 2JJ

Scheme adviser

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

Auditors

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Investment managers

Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN
Fidelity Investment Management Ltd, Beechgate, Millfield Lane, Lower Kingswood,
Surrey, KT20 6RP

Legal adviser

Director of Resources, 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 Resources, 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

Council officers – Peter Turner, Finance Director

Martin Reeves, Principal Accountant (Technical & Control)

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 42 - 49), 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.

Financial Performance

The Council prepares accounts as at 31st March each year, which comply with the CIPFA Code of Practice on local authority accounting 2011/12 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 2007 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 surplus of £10.2m in 2011/12, compared to the budgeted surplus of £6.2m. 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 2011/12 from £489.4m as at 1st April 2011 to £501.5m as at 31st March 2012. The Pension Fund Accounts and Net Assets Statement, together with supporting notes, are attached (pages 27 - 41).

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
638 pieces of correspondence responded to in the last year, of which 99.17% were within the performance standard (99.67% in 2010/11)
- Process each stage of a transfer of pension rights (to or from the Fund) within 10 days of receiving the required information
98.79% of 164 transfer-in quotations (96.83% in 2010/11) and 96.83% of 82 transfer-out quotations (98.13% in 2010/11) issued within the performance standard
- Process retirement grants (lump sums) within 10 working days of retirement, provided that Liberata have all the necessary information
100% of 284 retirement grants paid within the performance standard (99.75% in 2010/11)
- Issue a benefit statement annually to all active and deferred members
Statements issued to all active and deferred members in August
- Advise pensioners in April of the annual increase to their local government pension
Pensions increase letters issued to all pensioners in April

Scheme membership

Fund membership as at 31st March:

	2011	2012
Employees	5,246	5,040
Pensioners - widows/dependents	706	705
- other	3,816	3,923
Deferred pensioners	3,859	4,165
Total	13,627	13,833

A list of contributing employers and details of contributions received is given in the supporting notes to the Pension Fund Accounts (pages 31 and 34).

INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Principles

In accordance with the requirements of regulation 9A of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 ("the Regulations"), as amended by SI 1999/3259 and SI 2002/1852, the Council has produced a Statement of Investment Principles (SIP). The SIP for 2011/12 was originally approved by the Pensions Investment Sub-Committee on 8th September 2010 and an updated version was approved following a detailed review on 14th September 2011. This is published on the Council's website (see pages 50 - 57).

Investment Managers

Investment of the Fund is governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, which define the categories of investments that may be used and set various limits to prevent over-concentration in single asset types or single investments. 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 two investment managers, Fidelity Pensions Management (appointed April 1998) and Baillie Gifford & Company (appointed December 1999). 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.

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 Statement of Investment Principles (pages 50 - 57). Fidelity and Baillie Gifford operate balanced portfolios with benchmarks based on a broad 80:20 ratio of equities to bonds. These benchmarks were most recently set by the former Investment Sub-Committee in 2006. 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 agreed in 2006 followed a comprehensive review of the Fund's strategy and has remained in place since then, mainly as a result of the good long-term performance returns achieved by the managers.

The regulations require the performance of the investment managers to be reviewed at least once every three months. Quarterly meetings of the Sub-Committee are held for this purpose and each manager submits a report on his activities in the previous quarter. The practice to date has been for one of the two managers to attend each meeting on an alternating basis to present a report. The Finance Director presents a separate report on investment performance to each meeting, based on data prepared by the independent WM Company and including comments from the Fund's external advisers, AllenbridgeEpic. The regulations also require the authority to review periodically whether to retain their managers. The section on investment performance on page 10 shows that the Fund has done very well in comparison with other local authority funds over all measured periods (out to 10 years), as a result of which it has to date been concluded that there is no reason to seek to terminate either of the current agreements. However, relatively poor performance in the last year or so prompted a comprehensive strategy review during 2011/12, which concluded that, in view of ongoing world market problems, a change of direction was required and changes to the strategy will be implemented from 2012/13.

Fees paid to the investment managers are charged to the Fund, on the following bases:

Fidelity – Base fee 0.30% of total Fund value (quarterly). Until 30th September 2011, Fidelity’s fee included a performance-related fee (annual) of 25% of outperformance between 1% and 2% and 30% of outperformance above 2% over rolling three year periods (no fee on outperformance below 1%). This was renegotiated during 2011/12, as a result of which the fee became more in line with that of Baillie Gifford and with those payable by other London boroughs.

Baillie Gifford – Base fee (quarterly) 0.50% of first £15m of Fund value, 0.35% of next £15m and 0.175% of remainder. No performance-related fee is payable.

Review of Investment Performance

The WM Company provides an independent performance measurement service for the Fund and attends the Pensions Investment Sub-Committee once a year to present an annual report.

Performance data for 2011/12

The total market value of the Fund has fluctuated considerably in the last few years. In 2002/03, the value fell by some 20% to £180m, but since then, in spite of some periods of volatility (most recently in the first and third quarters of 2008), a steady improvement was seen and the total value had increased to £357m as at 31st March 2008. In 2008/09, however, turmoil in financial markets caused the Fund value to fall to £298.1m as at 31st March 2009, a fall of 16.5% in that year. During 2009/10, it increased significantly and ended the year at £447.8m as at 31st March 2010, a gain of around 50% in the year. In 2010/11, the Fund value continued to increase and had risen to £489.4m as at 31st March 2011. In the first half of 2011/12, it fell back to £434.0m as at 30th September 2011, before rising sharply again to end the financial year on £501.5m.

In 2011/12, the Fund as a whole returned +2.2% compared to the benchmark return of +2.0%. With regard to the local authority universe average for the year (+2.6%), the Fund achieved an overall ranking of 74% (the lowest rank being 100%). This represented a disappointing return following a reasonable year in 2010/11 and an exceptionally good return in 2009/10. For comparison, the rankings in recent years were 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.

Before 1st April 2006, the Fund’s performance was measured against the local authority average and both Baillie Gifford and Fidelity were set the target of outperforming against that average by 0.5% over rolling three-year periods. When the Fund was restructured in 2006, however, both managers were set performance targets relative to the strategic benchmarks agreed from 1st April 2006. Baillie Gifford are now required 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 instead of against its local authority indices and averages. At total Fund level, however, it continues to use the local authority indices and averages and 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. A summary of the two Fund managers’ performance in 2011/12 is shown in the following table:

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	5.2	17
Mar-12	6.9	9.1	6.3	7.5	6.6	8.4	5.6	2
Cumulative	1.0	2.9	2.9	1.4	2.0	2.2	2.6	74
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	-1.5	96

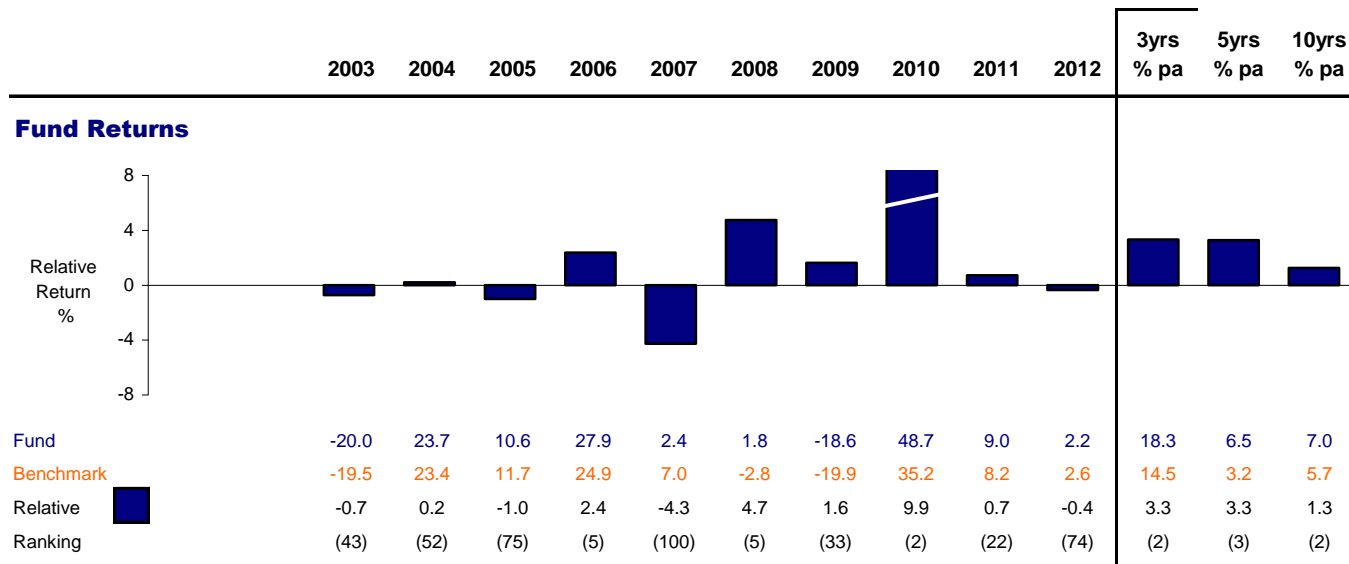
Cumulative returns for the first three quarters of the year (to December 2011) were negative (-4.5% for both managers), but positive returns in the final quarter enabled Baillie Gifford to return 2.9% over the whole year (1.9% above benchmark), while Fidelity returned 1.4% over the whole year (1.5% below benchmark).

Medium and long-term performance data for Baillie Gifford and Fidelity

While short-term performance in 2011/12 was somewhat disappointing, the Fund's medium and long-term returns remain very strong. Long-term rankings to 31st March 2012 (in the 2nd percentile for three years, in the 3rd percentile for five years and the 2nd percentile for ten years) were very good and underlined the fact that the Fund's performance has been particularly strong in the last few years. Returns and rankings for individual years are shown in the following table:

Year	Baillie Gifford Return	Fidelity Return	Whole Fund Return	Whole Fund Ranking
	%	%	%	
2011/12	2.9	1.4	2.2	74
2010/11	10.7	7.1	9.0	22
2009/10	51.3	45.9	48.7	2
3 year ave to 31/3/12	19.9	16.6	18.3	2
2008/09	-21.1	-15.1	-18.6	33
2007/08	3.2	0.6	1.8	5
5 year ave to 31/3/12	7.0	6.2	6.5	3
2006/07	1.9	3.2	2.4	100
2005/06	29.8	25.9	27.9	5
2004/05	11.2	9.9	10.6	75
2003/04	23.6	23.8	23.7	52
2002/03	-20.2	-19.9	-20.0	43
10 year ave to 31/3/12	7.3	6.7	7.0	2

The graph below shows total Fund performance to 31st March 2012 over 1, 3, 5 and 10 years compared to the local authority universe. This shows that, in the medium and long-term, the Fund has performed very well in comparison to its peers (rankings in the 2nd percentile over the last 3 years, in the 3rd percentile over 5 years and in the 2nd percentile over 10 years).

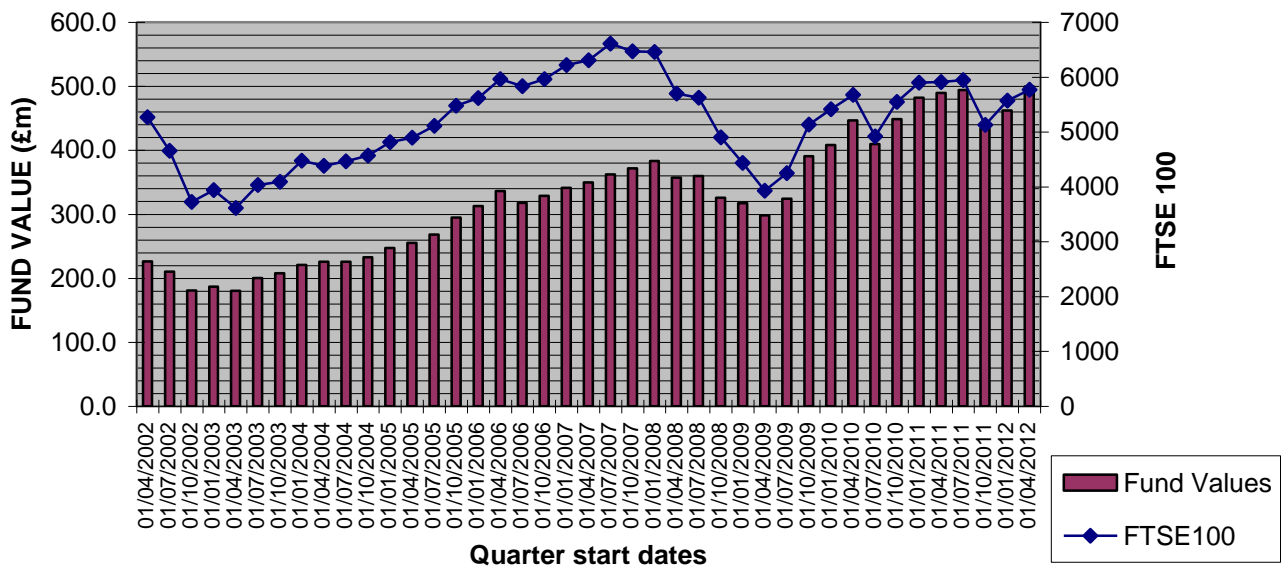


Movements in the Fund's Market Value are shown in the following table, together with details of distributions of the revenue account surplus cash to the Fund managers and changes in the value of the FTSE 100 index. The graph below plots movements in the Fund value and in the FTSE index. In recent years, the total Fund value has fluctuated significantly, having reduced by 16.6% (£59m) in 2008/09 before rising to £446.4m in 2009/10 (an increase of 50% in the year). In 2010/11, it lost ground initially but had increased to £489.4m as at 31st March 2011 and a similar pattern followed in 2011/12. Also of note, although not entirely surprising, is the fact 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.

Market Value as at	Fidelity	Baillie Gifford	CAAM	Total	Revenue Surplus Distributed to Managers*	FTSE 100 Index
	£m	£m	£m	£m	£m	
31 st March 2002	112.9	113.3	-	226.2	0.5	5272
31 st March 2003	90.1	90.2	-	180.3	-	3613
31 st March 2004	112.9	113.1	-	226.0	3.0	4386
31 st March 2005	126.6	128.5	-	255.1	5.0	4894
31 st March 2006	164.1	172.2	-	336.3	9.1	5965
31 st March 2007	150.1	156.0	43.5	349.6	4.5	6308
31 st March 2008	151.3	162.0	44.0	357.3	2.0	5702
31 st March 2009	143.5	154.6	-	298.1	4.0	3926
31 st March 2010	210.9	235.5	-	446.4	3.0	5680
31 st March 2011	227.0	262.7	-	489.7	3.0	5909
30 th June 2011	228.4	265.7	-	494.1	-	5946
30 th September 2011	201.0	233.0	-	434.0	-	5128
31 st December 2011	214.4	247.7	-	462.1	-	5572
31 st March 2012	229.6	269.9	-	499.5	-	5768

* Distribution of cumulative surplus during the year.

PENSION FUND - QUARTERLY VALUES AND FTSE100 INDEX



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 21 - 22. In June 2007, the regulations were amended to 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 23 - 26.

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 in the supporting notes to the Pension Fund accounts (page 35).

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 in excess of 13,000 Fund members, including LB Bromley staff, non-teaching staff employed by LB Bromley, Broomleigh Housing Association, Bromley MyTime, Beckenham MIND, the Council's 3 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 FRS17 exercise and for triennial full valuations of the Fund.
- Submission of statutory returns to government bodies as required.
- Maintenance of AXISE 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 2011/12 included:

- Review and redesign of the external payroll users pension forms by Liberata Print and Design team.
- New designed newsletter for 2011 was despatched all eligible employees.
- Provision of data to actuary in respect of prospective schools wishing to convert to academy status.
- Large volume requests for estimates from HR.
- Reconciliation of all transfer in/out payments and retirement grants and death grants for 2011-12 completed.
- We have provided a number of training sessions to external payroll users to enable them to understand their responsibility and ensure that their provision of pension data is accurate and provided in a timely manner.

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 London Borough of Bromley, Resources Directorate, Civic Centre, Stockwell Close, Bromley, Kent, BR1 3UH	Tel: 020 8603 3429 E-mail: pensions@bromley.gov.uk Website: www.liberata.com Tel: 020 8464 3333 Website: www.bromley.gov.uk
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Pension Tracing Service (for ex-members no longer in touch with former employers) The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA	Tel: 0845 600 2537
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The Pensions Advisory Service (if problems can not be resolved with pension schemes) 11 Belgrave Road, London, SW1V 1RB	Tel: 0845 601 2923 Website: www.pensionadvisoryservice.org.uk
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Pensions Ombudsman Tel: 020 7630 2200	Website: www.pensions-ombudsman.org.uk
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Self-Service Pensions

Members of the Fund can access their own pension records online, through the AXISe Internet Member Self Service (AIMSS). 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. Forms can also be downloaded in order to update Members' Expression of Wish records. Details of how

to use AIMSS are available on the Council's Intranet or from the Liberata e-mail address.

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 2010, the Fund's actuary, a partner of Barnett Waddingham LLP, determined the level of employers' contributions for the three years 2011/12 to 2013/14. 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.

In that valuation, the actuary found that the value of the Fund's assets represented 84% of the value of its liabilities, up from 81% in 2007. The actuarially assessed position at 31 March 2010 is summarised in the table below.

Valuation	31 March 2007	31 March 2010	% change
	£m	£m	%
Liabilities	436.6	510.6	+16.9
Assets	354.5	429.2	+21.1
Shortfall	82.1	81.4	-0.1
Funding level	81.2%	84.1%	+3.6

The key actuarial assumptions as at 31st March 2007 and 2010 are shown below:

Financial Assumptions	Nominal	Real	Nominal	Real
Future investment returns	% p.a.	% p.a.	% p.a.	% p.a.
	2007	2007	2010	2010
<i>Equities/absolute return funds</i>	7.6	4.3	7.6	4.3
<i>Gilts</i>	4.7	1.3	4.7	1.3
<i>Bonds & Property</i>	5.4	2.0	5.4	2.0
<i>Discount Rate</i>	6.9	3.5	7.2	3.7
<i>Risk adjusted Discount Rate</i>	-	-	6.9	3.4
<i>Pay increases</i>	4.9	1.5	5.0	1.5
<i>Price inflation</i>	3.4	-	3.5	-
<i>Pension increases</i>	3.4	-	3.0	-0.5

The employer contribution rate in respect of future service with effect from 1st April 2011 remained at 14.7% for all London Borough of Bromley employees. In addition to contributions in respect of Fund members, the Council is also required to make contributions to eliminate the Fund deficit. These have been fixed at £5.5m in 2011/12, £5.8m in 2012/13 and £6.1m in 2013/14 with the aim of recovering the deficit over a period of 12 years (unchanged from the deficit recovery period set by the 2007 valuation). The Year 1 figure (£5.5m) represents a reduction of some £3.1m on the 2010/11 past deficit contribution set by the actuary in the 2007 valuation.

The 2010 valuation report also contained contribution rates for the other employers in the Fund, including Bromley, Orpington and Ravensbourne Colleges, Broomleigh Housing Association (Affinity Sutton) and Bromley MyTime, as well as for schools, which were for the first time required to repay a share of the deficit by way of increased employer contributions. A deficit recovery period of 12 years was set for all these employers, in line with the period set for the Council. Separate contribution rates were also set for those schools that had adopted academy status, with the deficit recovery for these also set at 12 years. The Contribution Schedule set by the actuary is shown on page 20.

The Fund income from employer contributions by the Council has increased steadily in recent years, principally because there has been a funding shortfall in the Fund since the early nineties. Since then there has been a programme of annual increases in employer contributions with a view to 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 strategy is to achieve a funding level of 100% by 2022 and the next full valuation (as at 31st March 2013) will be carried out during 2013/14.

The actuary's Summary Funding Statement and Rates and Adjustments certificate are attached at pages 18 and 19 - 20 respectively.

**LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2010 – SUMMARY FUNDING STATEMENT**

London Borough of Bromley Pension Fund – Actuarial Valuation as at 31 March 2010 - Valuation Report

Section 6. Valuation Results

6.1 Past Service Position

The following table sets out the valuation results for the Fund as a whole assuming the deficit is recovered over a 12 year period.

Past Service Funding Position	£000	£000
Asset Value		429,193
Past Service Liabilities		
Active Members	194,718	
Deferred Pensioners	70,143	
Pensioners	<u>245,781</u>	
Value of Scheme Liabilities		510,642
Surplus (+) / Deficit (-)		<u>-81,449</u>
Funding Level		84.1%
Contribution Rates		% of payroll
Future Service Total		14.7%
Deficit Contribution (12 years)		8.3%
Total Employer Contribution Rate		23.0%

**LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2010 – RATES AND ADJUSTMENTS
CERTIFICATE**

**London Borough of Bromley Pension Fund – Actuarial Valuation as at 31 March 2010 -
Valuation Report**

Appendix 5 – Rates and Adjustments Certificate

Paul Dale
Director of Resources
London Borough of Bromley
Bromley Civic Centre
Stockwell Close
Bromley BR1 3UH

Dear Sirs

On your instruction, we have made an actuarial valuation of the London Borough of Bromley Pension Fund (“the Fund”) as at 31 March 2010.

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 we have made an assessment of the contributions which should be paid to the Fund by the employing authorities as from 1 April 2011 in order to maintain the solvency of the Fund.

The required contribution rates are set out in the following Contribution Schedule.

Yours faithfully

Graeme D Muir
Fellow of the Faculty of Actuaries

London Borough of Bromley Pension Fund – Actuarial Valuation as at 31 March 2010 - Valuation Report

Statement to the Rates and Adjustments Certificate

The Common Rate of Contribution payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 is 23.0% of payroll.

Individual Adjustments payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates comprising the Future Service Contribution Rate and the Deficit Contribution are as set out below:

Employer Code	Employing Authority	Minimum Contribution Rate as % of pensionable pay (p.a.) % of payroll	Deficit Contribution for Year ending		
			31-Mar-12 £	31-Mar-13 £	31-Mar-14 £
1	LB Bromley	14.7%	£5,500k	£5,800k	£6,100k
3	Beckenham MIND	24.5%	-	-	-
4	Bromley College	17.0%	-	-	-
6	Broomleigh Hsg Assoc	28.8%	-	-	-
24	Orpington College	17.4%	-	-	-
27	Ravensbourne College	17.5%	-	-	-
33	Bromley MyTime	15.1%	-	-	-
	LBB Schools	22.7%	-	-	-
	Various academies	23.5%	-	-	-

Notes

Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumption issued by us from time to time.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by ourselves.

Barnett Waddingham LLP

LONDON BOROUGH OF BROMLEY PENSION FUND GOVERNANCE POLICY STATEMENT

1. This statement has been published in accordance with regulation 31 of the administration regulations and was reported to the Pension Investment Sub-Committee on 10th February 2011.
2. It has been published after consultation with the other employers in the Fund, namely Bromley College, Orpington College, Ravensbourne College, Broomleigh Housing Association, Bromley Mytime and Beckenham 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 Finance Director. 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 seven times per 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 per year about five weeks after the end of each quarter. 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 over 90% of the Fund's members are the financial responsibility of the Council. There is a non-voting representative of the Council's employees on the Pensions Investment Sub-Committee.

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.	Not applicable
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.	Not applicable

* 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 over 90% of the Fund's members are the financial responsibility of the Council. This matter will be kept under review. There is a non-voting representative of the Council's employees on the Pensions Investment Sub-Committee.

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.	
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Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)
The Pensions Investment Sub Committee includes an employee representative as part of its membership.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-
The employee representative on the Pensions Investment Sub Committee receives all non-exempt papers and can attend the Committee other than for exempt matters. Equal access is given to training and he also has 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
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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
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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.

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 an employee representative is currently a member of Committee. Presentations are made to the employee forum where opportunities exist for the representation of interests and issues.

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 6/7 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 falls to be considered at meetings of the main committee.	Fully compliant
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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
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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
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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 the independent auditor's report and by a statement of responsibilities signed by the Finance Director. These can be found on pages 28 and 29. The Fund Account and Net Assets Statement are on page 30, supporting notes are on pages 31 to 40 and details of the Pension Fund Revenue Account are on page 41.

During 2011/12, the total net assets of the Fund value rose from £489.4m to £501.5m. The Pension Fund Revenue Account showed a surplus for the year of £10.2m (excluding changes in market value) and total Fund membership numbers increased in the year from 13,627 to 13,833.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BROMLEY PENSION FUND

We have audited the pension fund accounts included in the pension fund annual report of the London Borough of Bromley Pension Fund for the year ended 31 March 2012 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Respective responsibilities of the Finance Director and the auditor

The Finance Director is responsible for the preparation of the pension fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the London Borough of Bromley Pension Fund's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the pension fund's accounts:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, of the financial transactions of the pension fund during the year ended 31 March 2012, and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matter

In our opinion, the information given in the Annual Report for the financial year for which the accounts are prepared is consistent with the accounts.

Janet Dawson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
London, SE1 2RT

Date

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 Finance Director;
- * 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 Finance Director's Responsibilities

The Finance Director 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 Finance Director 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 Finance Director has also:

- * kept proper accounting records which were up to date;
- * taken reasonable steps for the prevention and detection of fraud and other irregularities.

Finance Director

I certify that the Pension Fund accounts set out on pages 30 - 41 of the Pension Fund Annual Report present fairly the financial position of the Authority as at 31st March 2012 and its income and expenditure for the year ended 31st March 2012.

Peter Turner
Finance Director

Dated.....

The maintenance and integrity of the London Borough of Bromley website is the responsibility of senior officers. Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

LONDON BOROUGH OF BROMLEY PENSION FUND - ACCOUNTS FOR 2011/12

£000	£000		£000	£000
		Dealings with members and employers		
		Contributions and similar payments		
6,040		Contributions - from members	6	5,766
13,275		- from employers - normal	6	16,791
8,929		- deficit funding	6	5,500
4,757		Transfers in from other pension funds (individual)		4,261
	33,001			32,318
		Benefits		
(19,223)		Pensions		(20,465)
(5,674)		Lump sum benefits - retirement		(5,705)
(332)		- death		(795)
	(25,229)			(26,965)
		Payments to and on account of leavers		
(17)		Refunds of contributions		(11)
(2,734)		Transfers out on account of leavers (individual)		(1,820)
	(2,751)			(1,831)
	(731)	Administrative expenses	7	(629)
	4,290	Net addition from dealings with Fund members		2,893
		Returns on investments		
7,478		Investment income	8	8,489
32,119		Change in market value		1,992
(2,318)		Investment management expenses	9	(1,190)
	37,279	Net return on investments		9,291
	41,569	Net Fund increase during year		12,184
	447,796	Opening net assets		489,365
	489,365	Closing net assets		501,549

31st March 2011 NET ASSETS STATEMENT

£000	£000		£000	£000
		Investment assets	10	
127,853		Equities - UK (quoted)		120,992
132,862		- overseas (quoted)		140,057
	260,715			261,049
	219,816	Pooled investment vehicles (managed funds - non-property)		225,778
	10,560	Cash deposits held by investment managers		12,753
201		Other investment balances - sales		630
(1,701)		- purchases		(888)
	(1,500)			(258)
	489,591	Net investment assets	10	499,322
		Current assets and liabilities		
586		Cash		1,486
619		Current assets - debtors	11	908
(1,431)		Current liabilities - creditors	11	(167)
	(226)			2,227
	489,365	Closing net assets		501,549

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 13.

PENSION FUND

Notes to the Accounts

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 2011/12 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

(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 pension scheme to provide pensions and other benefits for pensionable employees of the Council and of a range 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.

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

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009.

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
- Admission Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

Including the Council itself, there are a total of 42 employer organisations in the Bromley Fund. The Fund's scheduled and admission bodies are as follows:

Scheduled Bodies - Foundation Schools

Highfield Infant School
Highfield Junior School
Holy Innocents Catholic Primary School
Raglan Primary School
St Mary's Catholic Primary School
St Olave's & St Saviour's Grammar School
The Glebe Special School
The Priory School

Scheduled Bodies - Academies

Balgowan Primary
Crofton Junior
Green Street Green Primary
Pickhurst Infants
Stewart Fleming Primary
Valley Primary
Beaverwood School for Girls
Bullers Wood School
Charles Darwin School
Darrick Wood School
Kelsey Park Sports College
Langley Park School for Boys
Newstead Wood School for Girls
The Ravensbourne School

Scheduled Bodies - Other

Bromley College
Orpington College
Ravensbourne College

Admission Bodies

Beckenham and District Mind
Bromley Mytime
Broomleigh Housing Association

Biggin Hill Primary
Darrick Wood Infants
Hayes Primary
Pickhurst Junior
Tubbenden Primary
Warren Road Primary
Bishop Justus CE School
Cator Park School
Coopers Technology College
Hayes School
Kemnal Technology College
Langley Park School for Girls
Ravens Wood School

PENSION FUND

Notes to the Accounts

1 Description of Fund (continued)

(b) Membership (continued)

The following table shows the total membership of the Fund as at 31st March 2012 and 2011.

	2011	2012
Members	5,246	5,040
Pensioners - widows / dependents	706	705
- other	3,816	3,923
Deferred Pensioners	3,859	4,165
Total	<u>13,627</u>	<u>13,833</u>

(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2012. Contributions are also made by employers and these are set based on triennial actuarial funding valuations, the most recent of which was as at 31 March 2010. Currently, employer rates range from 14.7% to 28.8% of pensionable pay.

(d) Benefits

Pension benefits are based on final pensionable pay and length of pensionable service, summarised below:

Service pre 1 April 2008:

- Pension: each year worked is worth 1/80 x final pensionable salary
- Lump sum : automatic lump sum of 3 x salary and part of annual pension can 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 part of annual pension can still be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum)

There is a range of other benefits provided under the scheme including early retirement, disability/ill-health pensions and death benefits. Benefits are index-linked (using the Consumer Price Index from 1 April 2011 and the Retail Price Index up to 31 March 2011) in order to keep pace with inflation.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, 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 actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 13.

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 will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets. 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.

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies (continued)

(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 amount not received by the end of the reporting period is 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.

(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. Prior to 1st October 2011, a performance related fee was payable to one of the Fund managers (Fidelity), but their fee structure was reviewed in 2011 and is now linked only to the fund value.

(h) Financial assets

Equities traded through the Stock Exchange Electronic Trading Service are valued on the basis of the latest traded price. Other quoted securities are valued at their closing bid price.

Pooled investment vehicles are valued at either the bid price where a bid price exists or on the single unit price provided by the investment managers.

(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

Cash comprises cash investments placed by the Fund managers and cash held internally by the Fund.

(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.

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies (continued)

(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 IAS19 and relevant actuarial standards. As is permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits (see Note 13). A summary of the results of the last full actuarial valuation is shown in Note 12.

(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 2009, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 14.

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 IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 12. This estimate is subject to significant variations based on changes to the underlying assumptions.

5 Events after the year end date

Since 31 March 2012, there has been a small decline in global stock markets, such that, at the end of July 2012, the total value of investments had fallen from around £500m to around £496m. This change is deemed to be a non-adjusting post-year end event.

6 Contributions receivable

	2010/11 £000	2011/12 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	10,202	12,013
- deficit funding	8,600	5,500
Scheduled bodies - Foundation Schools	1,807	793
	20,609	18,306
Other		
Scheduled bodies - normal - academies	125	2,712
- normal - colleges	885	937
- deficit funding - colleges	208	-
Admission bodies - normal	256	336
- deficit funding	121	-
	22,204	22,291
Member Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	4,657	4,306
Scheduled bodies - Foundation Schools	781	221
	5,438	4,527
Other		
Scheduled bodies - academies	55	763
- colleges	419	363
Admission bodies	128	113
	6,040	5,766

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

PENSION FUND

Notes to the Accounts

7 Administrative Expenses

	2010/11 £000	2011/12 £000
Audit fee	35	35
Bank charges	21	19
Advice & other costs	48	62
Internal recharges	627	513
	<u>731</u>	<u>629</u>

8 Investment Income

	2010/11 £000	2011/12 £000
Dividends from equities	7,436	8,469
Interest on securities	23	20
Internal interest on cash	19	-
	<u>7,478</u>	<u>8,489</u>

9 Investment Management Expenses

	2010/11 £000	2011/12 £000
Fidelity - basic fee	533	603
- performance fee *	1,282	67
Baillie Gifford - basic fee	503	520
	<u>2,318</u>	<u>1,190</u>

* performance fee element only payable until 30th September 2011.

10 Investments

The investment managers are Baillie Gifford and Fidelity and both manage portfolios comprising equities, bonds and cash under balanced mandates.

The bid value of the Fund as at 31st March 2011 and 2012 was divided between the two Fund managers as follows:

	31st March 2011		31st March 2012	
	£000	%	£000	%
Fidelity	226,970	46.36	229,568	45.98
Baillie Gifford	262,621	53.64	269,754	54.02
	<u>489,591</u>	<u>100.00</u>	<u>499,322</u>	<u>100.00</u>

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 profits 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.

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

	Bid Price 31/03/2011	Purchases	Sales	Change in MV	Bid Price 31/03/2012
	£000	£000	£000	£000	£000
Equities	260,715	70,539	(70,023)	(182)	261,049
Pooled investments	219,816	39,635	(35,847)	2,174	225,778
Sub-Total	<u>480,531</u>	<u>110,174</u>	<u>(105,870)</u>	<u>1,992</u>	<u>486,827</u>
Cash	10,560				12,753
Other - receivable re sales	201				630
- payable re purchases	(1,701)				(888)
Total	<u>489,591</u>	<u>110,174</u>	<u>(105,870)</u>	<u>1,992</u>	<u>499,322</u>

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp duty and other fees, are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year totalled £308k (£264k in 2010/11). 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.

PENSION FUND

Notes to the Accounts

10 Investments (continued)

The Code requires the Council to disclose Pension Fund investments valued at over 5% of the total investment portfolio as at the end of the financial year. Details are shown below.

Baillie Gifford - none

Fidelity - Institutional UK Aggregate Bond Fund (value £42,161,804 - 8.4%)

- Institutional Europe Fund (value £25,813,201 - 5.2%)

- Institutional Exempt America Fund (value £32,992,848 - 6.6%)

11 Current assets and liabilities

	2010/11	2011/12
	£000	£000
<u>Debtors (current assets)</u>		
Contributions due from employers	255	423
Investment income	352	480
Other	12	5
	<u>619</u>	<u>908</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	1,416	137
Pension advice fees	15	26
Other	0	4
	<u>1,431</u>	<u>167</u>

12 Actuarial Position

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The Fund's Actuaries, Barnett Waddingham LLP, carried out a full valuation of the Fund at 31st March 2010, when its solvency level was calculated at 84%, an increase of 3% over the 2007 valuation. The 2010 actuarial valuation set the level of employer contributions required to attain 100% solvency within 12 years. It set employer rates for the years ending 31st March 2012, 2013 and 2014 at an average of 14.7% and specified that lump sum past-deficit contributions of £5.5m, £5.8m and £6.1m should be made in those three years. The 2007 valuation also set the average contribution rate at 14.7% and specified that additional lump sum past-deficit contributions of £8m, £8.3m and £8.6m should be made in the three years ended 31st March 2009, 2010 and 2011.

A significant number of schools adopted academy status during 2010/11 and 2011/12 and more are expected to follow in 2012/13. 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 12 years.

The economic assumptions employed in the 2007 and 2010 valuations are shown below.

	2007	2010
	% p.a.	% p.a.
Increases in earnings	4.9	5.0
General Inflation	3.4	3.5
Increases in pensions	3.5	3.0
Investment return - Equities	7.6	7.5
- Gilts	4.7	4.5
- Bonds & Property	5.4	5.6
- Discount rate	6.9	7.2

PENSION FUND

Notes to the Accounts

13 Actuarial Present Value of Promised Retirement Benefits

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits (both based on IAS19 information available as at 31st March 2012) is shown in detail in Note 46 to the main financial statements. The summary position is shown below.

	2010/11	2011/12
	£000	£000
Present value of liabilities	(601,733)	(687,983)
Fair value of assets	432,067	436,617
Net Deficit in the scheme	<u>(169,666)</u>	<u>(251,366)</u>

14 Additional Voluntary Contributions

Contributing members have the right to make AVCs to enhance their pensions. Until 2000/01, the Council's AVC scheme was offered to members through Equitable Life but, in that year, Equitable Life announced itself closed to new business. In May 2010, the Government outlined an Equitable Life Bill to enable compensation to be paid to policyholders who lost money and, as at February 2012, it announced that 20% of eligible policyholders had received a payment. Since 2000, employees have had the option of paying current contributions into the Aviva Fund. In accordance with the LGPS (Management and Investment of Funds) Regulations 2009, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2010/11 and 2011/12 and the total value of AVC Funds as at 31st March 2011 and 2012 is shown below.

	2010/11	2011/12
	£000	£000
AVC contributions		
- to Aviva	32	43
- to Equitable Life *	-	-
Total contributions	<u>32</u>	<u>43</u>

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

	31/03/11	31/03/12
	£000	£000
Market Value		
- Aviva	1,150	976
- Equitable Life	276	187
Total Market Value	<u>1,426</u>	<u>1,163</u>

15 Nature and extent of risks arising from financial instruments

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 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 the Pension Fund Annual Report for 2011/12 which was approved by the Pensions Investment Sub-Committee on 19th September 2012.

PENSION FUND – Additional Note to the Accounts

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 Risks

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.

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 Finance Director. 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 is 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 Finance Director and Pensions 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.

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's cash holding under its treasury management arrangements at 31st March 2012 was £1.5m (£0.6m as at 31st March 2011). In practice, the Pension Fund Revenue Account cashflow position was at break-even or slightly 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 Finance Director.

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 2011 and 2012.

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 Finance Director.

The Fund's direct exposure to interest rate movements as at 31st March 2012 and 31st March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	31st March 2012 £'000	31st March 2011 £'000
Cash and cash equivalents	12,753	10,560
Fixed interest securities	72,691	65,160
Total	<u>85,444</u>	<u>75,720</u>

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2010/11 £'000's	Estimate 2011/12 £'000's	Final Outturn 2011/12 £'000's
INCOME			
Employee Contributions	6,040	6,100	5,766
Employer Contributions	22,204	22,500	22,291
Transfer Values Receivable	4,757	4,000	4,261
Investment Income	7,478	7,000	8,489
Total Income	<u>40,479</u>	<u>39,600</u>	<u>40,807</u>
EXPENDITURE			
Pensions	19,223	20,000	20,465
Lump Sums	6,006	6,500	6,500
Transfer Values Paid	2,734	4,000	1,820
Administration	3,049	2,800	1,819
Refund of Contributions	17	100	11
Total Expenditure	<u>31,029</u>	<u>33,400</u>	<u>30,615</u>
Surplus/Deficit (-)	<u>9,450</u>	<u>6,200</u>	<u>10,192</u>
MEMBERSHIP			
	31/03/2011		31/03/2012
Employees	5,246		5,040
Pensioners	4,522		4,628
Deferred Pensioners	3,859		4,165
	<u>13,627</u>		<u>13,833</u>

**LONDON BOROUGH OF BROMLEY PENSION FUND
FUNDING STRATEGY STATEMENT**

GENERAL

In accordance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239), the Council is required to prepare, publish and maintain a Funding Strategy Statement for its Pension Fund. The statement was prepared in consultation with the Fund's actuaries, Barnett Waddingham LLP, and the other employers in the Fund. The Statement was approved by the Pensions Investment Sub-Committee on 14th September 2011.

LONDON BOROUGH OF BROMLEY PENSION FUND

FUNDING STRATEGY STATEMENT 2011

Introduction

This is the Funding Strategy Statement (“FSS”) for the London Borough of Bromley Pension Fund (“the Fund”). It has been prepared in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2007 (“the Regulations”) and in consultation with the Fund’s actuaries, Barnett Waddingham LLP.

It should be read in conjunction with the Fund’s Statement of Investment Principles (“SIP”).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:

- How the costs of the benefits provided under the Local Government Pension Scheme (“LGPS”) are met through the Fund.
- The objectives in setting employer contribution rates, and,
- The funding strategy that is adopted to meet these objectives.

Purpose of the Fund

The purpose of the Fund is to:

- Pay out monies in respect of the benefits provided under the Regulations, including transfer values, and to meet the costs associated in administering the Fund, and,
- Receive contributions, transfer values and investment income.

Funding Objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are

- To set levels of employer contribution that will build up a Fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- To maximise investment returns within reasonable risk parameters so as to build up the required assets in such a way that produces levels of employer contribution that are as stable as possible.

Key Parties

The key parties involved in the funding process and their responsibilities are as follows:

The Administering Authority

The Administering Authority for the London Borough of Bromley Pension Fund is the London Borough of Bromley. The main responsibilities of the Administering Authority are as follows:

- To collect employee and employer contributions.
- Invest the Fund's assets.
- Pay the benefits due to Scheme members.
- Manage the actuarial valuation process in conjunction with the Fund Actuary.
- Prepare and maintain this FSS and also the SIP after consultation with other interested parties.
- Monitor all aspects of the Fund's performance.

Individual Employers

The responsibilities of each individual employer which participates in the Fund, including the Administering Authority, are as follows:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales.
- Promptly notify the Administering Authority of any new Scheme members and any other membership changes.
- Exercise any discretions permitted under the Regulations.
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures.

Fund Actuary

The Fund Actuary for the London Borough of Bromley Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are:

- Advising interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations.
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding Strategy

The factors affecting the Fund's finances are constantly changing and so it is necessary for its financial position and the contributions payable to be reviewed, from time to time, by means of an actuarial valuation to check that the funding objectives are being met.

The actuarial valuation process is essentially a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employer contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

Funding Method

The key objective in determining employer contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed timescale.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target, however, may depend on certain employer circumstances and, in particular, on whether an employer is an “open” employer (one who allows new recruits access to the Fund) or a “closed” employer (who no longer permits new staff access to the Fund). The expected period of participation by an employer in the Fund may also affect the chosen funding target.

The last actuarial valuation was carried out as at 31st March 2010. For open employers, the actuarial funding method that was adopted is known as the Projected Unit Funding Method. This considers separately the benefits in respect of service completed before the valuation date (“past service”) and benefits in respect of service expected to be completed after the valuation date (“future service”). This approach focuses on:-

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members’ pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; a funding level of less than 100% indicates a deficit.
- The future service funding rate. This is the level of contributions required from the individual employers that, together with employee contributions, are expected to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year’s benefit accrual.

For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

Valuation Assumptions and Funding Model

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover, etc.

The assumptions adopted at the valuation can therefore be considered as:-

- The statistical assumptions, which, generally speaking, are estimates of the likelihood of benefits and contributions being paid, and,
- The financial assumptions, which, generally speaking, will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future Price Inflation

The base assumption in any valuation is the future level of price inflation. This is derived by considering the average difference in yields from conventional and index-linked gilts during the 6 months straddling the valuation date.

Future Pay Inflation

As benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically there has been a close link between price and pay inflation, with pay increases in excess of price inflation averaging out at between 1% and 3% per annum depending on economic conditions. The assumption adopted in the latest

valuation is that pay increases will, on average over the longer term, exceed price inflation by 1.5% per annum.

Future Investment Returns/Discount Rate

To determine the value of accrued liabilities and derive future contribution requirements, it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each employer.

For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the 6 months straddling the valuation date. The discount rate so determined may be referred to as “ongoing” discount rate.

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities once all active members are assumed to have retired if, at that time (the projected “termination date”), the employer either wishes to leave the Fund or the terms of their admission requires it.

The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

The adjustment to the discount rate is to essentially set a higher funding target at the projected termination date so that there are sufficient assets to fund the remaining liabilities at “minimum risk” rather than on an ongoing basis to minimise the risk of deficits arising after the termination date.

Asset Valuation

The asset valuation is market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the 6 months straddling the valuation date.

Statistical Assumptions

The statistical assumptions incorporated into the valuation (such as future rate of mortality, etc) are based on national statistics but are then adjusted where deemed appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Deficit Recovery/Surplus Amortisation Periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that, at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly, the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant surplus or deficit, the levels of required employers’ contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

The period that is adopted for any particular employer will depend upon:

- The significance of the surplus or deficit relative to that employer’s liabilities.
- The covenant of the individual employer and any limited period of participation in the Fund.

- The implications in terms of stability of future levels of employers' contribution.

At the 2010 valuation, the period adopted to recover the deficit varied by employer, but was no more than 12 years.

Pooling of Individual Employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross subsidy of pension cost amongst pooled employers.

Cessation Valuations

On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme 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 Scheme to another participating employer. In assessing the deficit on termination, the actuary may adopt a discount rate based on gilt yields and may adopt different assumptions to those used at the previous valuation to protect the other employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

Links with the Statement of Investment Principles

The main link between the FSS and the SIP relates to the discount rate that underlies the funding strategy (as set out in the FSS) and the expected rate of investment return which is expected to be achieved by the underlying investment strategy (as set out in the SIP).

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy and so there is consistency between the funding strategy and investment strategy.

Risks and Counter Measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are a number of risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial risks, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial Risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors including market returns being less than expected and/or the

chosen fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets. The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% per annum in the real discount rate will, at the valuation date, decrease/increase the liabilities by 10% and, over the 3-year period following the valuation, decrease/increase the required employer contribution by around 2.5% of payroll per annum.

The Pensions Investment Sub-Committee, however, regularly monitors the investment returns achieved by the fund managers and receives advice from the Fund Administrator and the independent adviser on investment strategy.

The Sub-Committee may also seek advice from the Fund Actuary on valuation-related matters.

In addition, the Fund Actuary provides funding updates between valuations to check that the funding strategy continues to meet the funding objectives.

Demographic Risks

Allowance is made in the funding strategy (via the actuarial assumptions) of a continuing improvement in life expectancy. However, the main risk to the funding strategy is that it might underestimate the continuing improvement in mortality. For example, an increase of 1 year to life expectancy of all members in the Fund will reduce the funding level by around 0.5% to 1%.

The actual mortality of pensioners in the Fund is, however, monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

However, the Administering Authority monitors the incidence of early retirements and procedures are in place, which require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory Risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulation as determined by the Government. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which increase the cost to individual employers of participating in the Scheme.

The Administering Authority, however, actively participates in any consultation process of any change in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Governance

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer specific events could impact on the funding strategy, including:

- Structural changes in an individual employer's membership.
- An individual employer deciding to close the Scheme to new employees.
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the Administering Authority monitors the position of employers participating in the Fund, particularly those that may be susceptible to the aforementioned events and takes advice from the Fund Actuary when required.

In addition the Administering Authority keeps in close touch with all individual employers participating in the Fund and regularly holds meetings with employers to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations and also to keep individual employers fully briefed on funding and related issues.

Monitoring and Review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

However, the Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if deemed necessary.

LONDON BOROUGH OF BROMLEY PENSION FUND STATEMENT OF INVESTMENT PRINCIPLES 2011

Introduction

This statement has been produced in accordance with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (“the Regulations”). The Regulations provide that an administering authority must, after consultation with such persons as they consider appropriate, prepare, maintain and publish a written statement of the principles governing their decisions about investments. The Regulations specify eight issues that must be addressed in the statement. The following sections of this statement address these issues in turn.

(a) The types of investment to be held

The fund’s investment 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.

(b) The balance between different types of investments

The broad balance between different types of investments is defined in the investment managers’ benchmarks, which were last comprehensively revised in 2006. Details of the two balanced managers’ benchmarks are shown below. The Pensions Investment Sub-Committee will review its asset allocation strategy every three years.

(c) Risk

At the last full valuation of the Fund (as at 31st March 2010), the actuary valued the fund’s assets at 84% of the fund’s liabilities (81% in the previous valuation as at 31st March 2007). He determined employers’ contribution rates with a view to achieving 100% solvency over a 12-year period, assuming a broad 80:20 asset allocation between equities and bonds as at the valuation date. The Pensions Investment Sub-Committee has set targets to out-perform the benchmarks by between 1% and 1.9%. It believes that the risks associated with a high allocation to equities are justified by the need to improve its funding level.

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 expected return on investments

The fund’s investment strategy is based on the long-term returns assumed by the actuary in the 2010 actuarial review. The nominal and real returns assumed per annum were:

Expected returns	Nominal	Real
	%	%
Equities	7.5	4.0
Gilts	4.5	1.0
Corporate Bonds	5.6	2.1
Overall Returns (discount rate)	7.2	3.7
Risk Adjusted Discount Rate	6.9	3.4

(e) The realisation of investments

The investment managers have full discretion to make decisions on the realisation of investments having regard to their benchmarks and their investment targets.

(f) The extent to which social, environmental or ethical considerations are taken into account in 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. 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; 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. 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.

(g) The exercise of the rights (including voting rights), if any, attaching to the investments

The investment managers have been authorised to exercise voting rights on behalf of the Council 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.

(h) Stock Lending

The Pension Fund does not currently operate a stock lending programme through its custodian bank.

COMPLIANCE WITH MYNERS' PRINCIPLES

Under regulation 9A (3A) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended by S.I. 2002/1852, which came into force in 2002, the Council is required to state the extent to which it complies with a set of principles of investment practice. Ten principles were originally set out in the document "CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom". This document was published in April 2002 in

response to the recommendations of the Review of Institutional Investment in the United Kingdom undertaken by Paul Myners.

The principles were updated in a Treasury report in October 2008, "Updating the Myners' Principles: A Response to Consultation". This report set out six investment governance principles that the Council must comply with. These are set out below, together with details of the level of compliance.

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 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 apart from the total limit below)
- All investments in unit trusts and open-ended investment companies (OEICs) managed by any one body: 35% [N.B. In practice, because neither of the investment managers will use unit trusts or OEICs managed by the other, they may invest up to 70% or thereabouts of their own portfolios in their own unit trusts and OEICs]
- Any single insurance contract: 25%
- All securities transferred under stocklending arrangements: 25%

Other restrictions imposed by the authority

- Cash held at custodian's bank is not to exceed £2,500,000, 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

Benchmarks for the Balanced Managers

(a) Baillie Gifford

Asset class	Allocation	Range	Index
	%	%	
Equities	(80)	70-90	
UK	25		FTSE All Share
Overseas	(55)		
US	18		FTSE AW North America
Europe	18		FTSE W Europe ex UK
Dev Asia (inc Japan)	9.5		FTSE AW Developed Asia Pacific ex Japan
Emerging	9.5		FTSE Emerging
Bonds	(18)	10-30	
UK gilts	9		FTSE Government Securities UK Gilts All Stocks
Other	9		Merrill Lynch Sterling Non Gilt
Cash	2		
Total	100		

Baillie Gifford's performance target is to exceed the composite benchmark returns by 1.0-1.5% per annum gross over rolling three-year periods.

(b) Fidelity

Asset class	Allocation	Range	Index
	%	%	
Equities	(80)		
UK equities	35	30-40	FTSE All Share
Overseas	(45)		
US	12.5	7.5-17.5	S&P 500
Europe	12.5	7.5-17.5	MSCI Europe ex UK GDR
Japan	5	0-10	TOPIX
Asia	5	0-10	MSCI AC Asia Pacific ex Japan
Global	10	5-15	MSCI World GDR
Bonds	(20)		
UK aggregate	20	5-15	Iboxx Sterling Overall Bond
Total	100		

Fidelity's performance target is to exceed the composite benchmark returns by 1.9% per annum over rolling three-year periods.

Compliance with Myners Principles

The Principles, together with the Council's position on compliance (*in italics*), are set out below:

Principle 1. Effective decision-making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Key points:

1. Elected members have a fiduciary duty to the Fund, Scheme members and local taxpayers.
2. Functions can be delegated and investment managers used, but overall responsibility rests with members.
3. Proper advice should be taken and the regulations define this as: "the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters."
4. The Wednesbury Principle (1945) applies to all parties involved in the arrangements and ensures they direct themselves properly in law and demonstrate reasonable behaviour.
5. All councils must appoint one of its officers to have responsibility for ensuring arrangements are in place for the proper administration of its financial affairs.
6. The role of the Pensions Committee and key officers should be clear in the Council's Constitution.
7. Best governance practices should be followed.
8. The Pensions Committee should ensure it has appropriate skills and is run in a way to facilitate effective decision-making.

Bromley complies with this principle in all major respects. The Fund produces a Statement of Investment Principles, a Funding Strategy Statement (which serves as the Fund's business plan) and a Governance Statement. The functions delegated and the administration of the Fund's activities are undertaken with appropriately trained staff, the use of professional advisors where necessary and in accordance with the Council's constitution and Fund's compliance procedures. The training requirements of Pensions Investment Sub-Committee members and officers is reviewed on an ongoing basis.

Principle 2. Clear objectives

Overall investment objectives should be set for the Fund that take account of the Scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administering authority and other scheme employers. These should be clearly communicated to advisors and investment managers.

Key points:

1. A three-yearly actuarial valuation as required by the regulations.
2. A full range of investment opportunities should be considered.
3. A strategic asset allocation should be used and reviewed regularly.
4. Robust investment management agreements should be in place.
5. The target investment return and associated risks should reflect the liabilities, assets held and link to the actuarial process.
6. The provision for taking proper advice should be demonstrated.

The Fund takes a range of specialist advice in formulating its SIP and FSS, ensuring that they link with the common objectives that arise from the actuarial process, with emphasis on

managing investment risk relative to cash flows and the need for stable contribution rates. These policies are reviewed regularly and informal discussions with the actuary take place to track progress between valuations. The Pensions Investment Sub-Committee places significant emphasis on reviewing and monitoring the investment strategy with regular reviews and input from experienced professional advisors. Robust agreements are in place with the Fund's investment managers and their performance is monitored quarterly by the Sub-Committee, with the managers being required to attend those meetings at least every six months. The Fund's overall investment objective, as recorded in its Funding Strategy Statement, is to achieve 100% funding of its liabilities by 31 March 2022, compared with 84% as at 31 March 2010.

Principle 3. Risk and Liabilities

In setting and reviewing the investment strategy, administering authorities should take account of the form and structure of the Fund's liabilities, including the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Key points:

1. The Pensions Committee should set a clear investment objective.
2. Investment risk should be fully evaluated, monitored and the link to employing bodies' ability to meet liabilities recognised.
3. Appropriate guarantees should be used to protect against employer default.
4. The need for affordable, stable contributions should be reflected in the work of the Pensions Committee.
5. The Pensions Committee should satisfy itself that the standards of internal controls applied are sound and robust.
6. An understanding of risk should be demonstrated and reported upon.

Members agreed the Funding Strategy Statement and the asset allocation strategy having regard to the Fund's liabilities and the need to achieve stable and affordable contributions, consulting with interested parties regularly. The investment setting process takes account of short-term market volatility, but, with strong positive cash flows, places great emphasis on the medium to long-term view. The Fund's Annual Report includes a statement of overall risk management of all activities.

Principle 4. Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. The administering authority should also periodically make a formal assessment of its own effectiveness as a decision-making body and report on this to Scheme members.

Key points:

1. Extensive formal performance measurement of investments, managers and advisors should be in place and relate to the investment objectives.
2. Effectiveness of the Pensions Committee should be reported on at regular intervals.
3. 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.

The overall investment objectives of the Fund link to portfolios and individual investment objectives. Performance is measured quarterly against targets driven by the investment strategy and its component parts. The investment performance of the fund and its managers is measured by the independent WM Company in full compliance with this principle and a fund performance report is submitted to the Pensions Investment Sub-Committee each

quarter. No arrangements are in place for formal assessment of the Sub-Committee's own procedures and decisions, although the Annual Report does detail the Sub-Committee's work and achievements.

Principle 5. Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to Scheme members on the discharge of such responsibilities.

Key points:

1. Disclose approach to company governance matters and socially responsible issues in the SIP.
2. Define expectations of managers on company governance matters.
3. The Institutional Shareholders' Committee Statement of Principles for institutional shareholders and/or agents should be followed.

Bromley's approach to corporate governance is set out in the main body of the SIP, including its approach to voting rights and engagement with companies' management. This approach is broadly consistent with the Institutional Shareholders' Committee Statement of Principles.

Principle 6. Transparency and Reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.
- Provide regular communication to Scheme members in the form they consider most appropriate.

Key points:

1. Maintain a sound governance policy and demonstrate its implementation.
2. Maintain a communication policy and strategy.
3. Ensure all required strategies and policies are published in a clear transparent manner.
4. Annual reports are a demonstration of accountability to stakeholders and should be comprehensive and readily available.

The Fund produces and reviews regularly its key policy and strategy documents, publishing them on its website. All members, actives, deferreds and pensioners receive regular communications on the Fund's activities and performance. A comprehensive Annual Report is produced, which includes the Council's formal Communications Policy Statement. The results of the monitoring of the managers are published in the public agendas of the Pensions Investment Sub-Committee, which are also published on the website.

**LONDON BOROUGH OF BROMLEY PENSION FUND
COMMUNICATIONS POLICY STATEMENT**

Regulation 67 of the administration regulations 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. It was approved by the Pensions Investment Sub-Committee on 10th February 2011.

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.
	Councillors All newly elected Councillors are provided with a booklet shortly after appointment.	Booklet – Liberata. Distribution - Head of Committee services.
	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 Finance Director.
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 31 st March each year is sent to the home address of all active members. An explanation of the statement and a note of any material changes or developments in the	Production & distribution - Liberata.

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