Report No.
RES13167

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**
Date:	**18th September 2013**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSION FUND PERFORMANCE Q1 2013/14**
Contact Officer:	Martin Reeves, Principal Accountant (Technical & Control) Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

1. Reason for report

This report includes summary details of the investment performance of Bromley's Pension Fund for the first quarter of the financial year 2013/14. It also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements. More detail on investment performance is provided in a separate report from the Fund's external advisers, AllenbridgeEpic, which is attached as Appendix 7. Representatives of Fidelity will be present at the meeting to discuss performance, economic outlook/prospects and other matters. Fidelity and Baillie Gifford have provided brief updates and these are attached as Appendices 3 and 4. A representative of the WM Company is also attending the meeting to give a presentation on the Fund's results for 2012/13, when the fund as a whole was ranked in the 4th percentile in the local authority universe (the lowest rank being 100%). For information, the WM report for periods ending 31st March 2013, which provides a comprehensive analysis of performance, was circulated with the main agenda and some of this is also covered in this report.

RECOMMENDATION

The Sub-Committee is asked to:

2.1 Note the report.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: Recurring cost. Total administration costs estimated at £2.0m (includes fund manager/actuary fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £35.0m expenditure (pensions, lump sums, etc); £38.8m income (contributions, investment income, etc); £582.4m total fund market value at 30th June 2013)

5. Source of funding: Contributions to Pension Fund

Staff

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

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

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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2007 and LGPS (Administration) Regulations 2008

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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 4,996 current employees; 4,777 pensioners; 4,538 deferred pensioners as at 30th June 2013

Ward Councillor Views

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

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Fund Value

3.1 The market value of the Fund fell slightly during the June quarter to £582.4m (£583.9m as at 31st March 2013). The comparable value one year ago (as at 30th June 2012) was £486.6m. At the time of finalising this report (as at 3rd September 2013), the Fund value had risen to £596.8m. Historic data on the value of the Fund, together with details of distributions of the revenue fund surplus cash to the fund managers and movements in the value of the FTSE 100 index, are shown in a table and in graph form in Appendix 1. Members will note that the Fund value tracks the movement in the FTSE 100 fairly closely, even though, since 2006, only around 30% of the fund has been invested in the UK equity sector.

Performance targets

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

3.3 In 2012, following a further review of the Fund's investment strategy, the Sub-Committee agreed to maintain the high level 80%/20% split between growth seeking assets (representing the long-term return generating part of the Fund's assets) and protection assets (aimed at providing returns to match the future growth of the Fund's liabilities). The growth element would, however, comprise a 10% investment in Diversified Growth Funds (DGF - a completely new mandate) and a 70% allocation to global equities. The latter would involve the elimination of our current arbitrary regional weightings, which would provide new managers with greater flexibility to take advantage of investment opportunities in the world's stock markets, thus, in theory at least, improving long-term returns. A 20% protection element would remain in place for investment in corporate bonds and gilts.

3.4 It was agreed that this would be implemented in three separate phases and, following presentations by a short-list of four prospective managers to the November meeting, Phase 1 (a 10% allocation to Diversified Growth Funds) was implemented on 6th December 2012 with a transfer of £50m from Fidelity's equity holdings (£25m to each of the two successful companies, Baillie Gifford and Standard Life). Baillie Gifford's benchmark return is 3.5% above base rate and, in the March quarter, they achieved a return of 5.0% (against a benchmark of 1.0%). Standard Life have a benchmark of 5% above the 6 month Libor rate and they achieved a return of 3.7% in the March quarter (against a benchmark of 1.4%). Returns for the June quarter are shown in the following table.

	Initial Investment 06/12/12	Market Value 31/03/13	Market Value 30/06/13	Benchmark return June quarter	Portfolio return June quarter	Market Value 03/09/13
	£m	£m	£m	%	%	£m
Baillie Gifford	25.0	26.5	25.8	1.0	-2.9	25.9
Standard Life	25.0	26.1	26.0	1.4	-0.5	25.9

Performance data for 2012/13

3.5 **Baillie Gifford and Fidelity**'s results for the financial year 2012/13 were reported in detail to the last meeting. In 2012/13, Baillie Gifford achieved an overall return of +16.9% (1.9% above their benchmark for the year and ranked in the 3rd percentile) and Fidelity returned +18.3% (3.4% above their benchmark and ranked in the 1st percentile). Overall Fund performance (+2.8%) was 3.0% above the local authority average for the year and an overall ranking in the 4th percentile was achieved. A summary of the two fund managers' performance in 2012/13 is shown in the following table and details of the Fund's medium and long-term performance are set out in paragraphs 3.7 to 3.9. A representative from the WM Company will be at the meeting to present a report on periods ended 31st March 2013.

Performance returns in 2012/13	Benchmark %	Returns %	Ranking
Baillie Gifford	15.0	16.9	3
Fidelity	14.9	18.3	1
Overall Fund	14.0	16.8	4
Local authority average		13.8	

Investment returns for 2013/14 (short-term)

3.6 A summary of the two balanced fund managers' performance in the first quarter of 2013/14 is shown in the following table and more details are provided in Appendix 2. Baillie Gifford returned -0.5% in the June quarter (0.9% above the benchmark) while Fidelity returned +0.5% (1.7% above benchmark). The "Total Fund" returns shown below include the two Diversified Growth Fund manager returns shown separately in paragraph 3.4.

Quarter	**Baillie Gifford**		**Fidelity**		**Total Fund**		**LA Ave**	**LA Ave**
	BM %	Return %	BM %	Return %	BM %	Return %	Return %	Ranking (1 – 100)
Jun-13	-1.4	-0.5	-1.2	0.5	-1.0	-0.2	-0.8	22
Year to June 2013	16.6	19.5	16.1	21.9	15.7	19.7	15.1	3

Bromley's local authority universe ranking for the June quarter was in the 22nd percentile and, in the year to 30th June 2013, was in the 3rd percentile. This was a very good year overall, with the returns for all four quarters being in the top quartile. More detailed information is provided in AllenbridgeEpic's report (Appendix 7).

Investment returns for 2002-2013 (medium/long-term)

3.7 The Fund's medium and long-term returns also remain very strong. Long-term rankings to 30th June 2013 (in the 8th 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 Bromley's performance has been particularly strong in the last few years as the investment strategy driven by the revised benchmark adopted in 2006 has bedded in. Returns and rankings for individual financial years ended 31st March are shown in the following table:

Year ended 31st March	Baillie Gifford Balanced Return	Fidelity Return	Baillie Gifford DGF Return	Standard Life DGF Return	Whole Fund Return	Whole Fund Ranking
	%	%	%	%	%	
2013/14 (Q1 only)	-0.5	0.5	-2.9	-0.5	-0.2	22
2012/13	16.9	18.3	5.9	4.3	16.8	4
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
2008/09	-21.1	-15.1	-	-	-18.6	33
2007/08	3.2	0.6	-	-	1.8	5
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
2001/02	2.5	-0.5	-	-	1.0	12
3 year ave to 30/06/13	12.8	12.4	n/a	n/a	12.3	8
5 year ave to 30/06/13	9.6	10.0	n/a	n/a	9.6	3
10 year ave to 30/06/13	10.4	10.0	n/a	n/a	10.0	2

3.8 The Fund's Statement of Investment Principles (approved in September 2011) includes the following as one of the good governance principles the Fund is required to comply with: "Returns should be measured quarterly in accordance with the regulations; a longer time frame (three to seven years) should be used in order to assess the effectiveness of fund management arrangements and review the continuing compatibility of the asset/liability profile". Given the long-term nature of pension fund liabilities, this reinforces the point that Pension Fund management is a long-term business and that medium and long-term returns are of greater importance than short-term returns.

3.9 The following table sets out comparative returns over 3, 5 and 10 years for the two balanced managers over periods ended 30th June 2013 and 31st March 2013. Baillie Gifford's returns for 3 years and 10 years ended 30th June 2013 (12.8% and 10.4% respectively) compare favourably with those of Fidelity (12.4% and 10.0% respectively). Over 5 years, however, Fidelity (10.0%) outperformed Baillie Gifford (9.6%).

	Baillie Gifford			**Fidelity**		
Annualised returns	Return	BM	+/-	Return	BM	+/-
	%	%	%	%	%	%
Returns to 30/06/13						
3 years (01/07/10-30/06/13)	12.8	10.6	2.0	12.4	11.2	1.1
5 years (01/07/08-30/06/13)	9.6	7.9	1.6	10.0	7.8	2.0
10 years (01/07/03-30/06/13)	10.4	8.8	1.5	10.0	8.8	1.2
Returns to 31/03/13						
3 years (01/04/10-31/03/13)	10.0	7.9	2.1	8.7	8.4	0.3
5 years (01/04/08-31/03/13)	9.7	7.8	1.9	9.7	7.6	2.1
10 years (01/04/03-31/03/13)	11.5	10.0	1.5	11.0	9.8	1.2

Fund Manager Comments on performance and the financial markets

3.10 Baillie Gifford and Fidelity have provided a brief commentary on recent developments in financial markets, their impact on the Council's Fund and the future outlook. These are attached as Appendices 3 and 4 respectively.

Early Retirements

3.11 Details of early retirements by employees in Bromley's Pension Fund in the current year and in previous years are shown in Appendix 5.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property, etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1 Details of the final outturn for the 2012/13 Pension Fund Revenue Account are provided in Appendix 6 together with the actual position for the first quarter of 2013/14 and data on fund membership. The final outturn for 2012/13 showed a surplus of £5.8m and a surplus of £2.2m was made in the June quarter. With regard to fund membership, there was an overall increase of 420 members during the course of 2012/13 and a further increase of 58 in the June quarter. The overall proportion of active members, however, is declining and fell in 2012/13 from 36.4% at 31st March 2012 to 35.5% at 31st March 2013 and to 34.9% at 30th June 2013.

6 LEGAL IMPLICATIONS

6.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2007 and LGPS (Administration) Regulations 2008, which are made under the provisions of Section 7 of the Superannuation Act 1972.

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

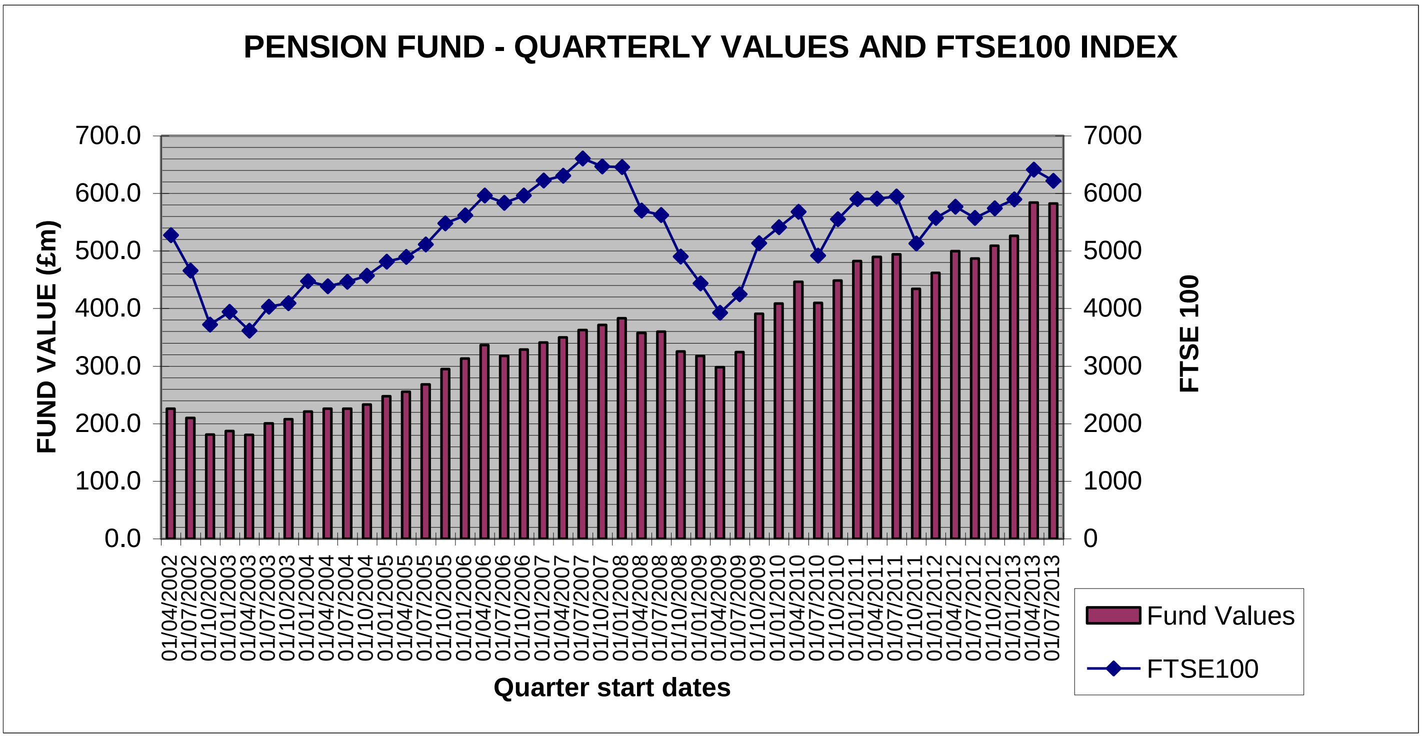
Appendix 1

MOVEMENTS IN MARKET VALUE & FTSE100 INDEX

Market Value as at	Fidelity #	Baillie Gifford (main)	CAAM	Baillie Gifford (DGF)	Standard Life (DGF)	Total	Revenue Surplus Distributed to Managers*	FTSE 100 Index
	£m	£m	£m	£m	£m	£m	£m	
31 Mar 2002	112.9	113.3	-	-	-	226.2	0.5	5272
31 Mar 2003	90.1	90.2	-	-	-	180.3	-	3613
31 Mar 2004	112.9	113.1	-	-	-	226.0	3.0	4386
31 Mar 2005	126.6	128.5	-	-	-	255.1	5.0	4894
31 Mar 2006	164.1	172.2	-	-	-	336.3	9.1	5965
31 Mar 2007	150.1	156.0	43.5	-	-	349.6	4.5	6308
31 Mar 2008	151.3	162.0	44.0	-	-	357.3	2.0	5702
31 Mar 2009	143.5	154.6	-	-	-	298.1	4.0	3926
31 Mar 2010	210.9	235.5	-	-	-	446.4	3.0	5680
31 Mar 2011	227.0	262.7	-	-	-	489.7	3.0	5909
31 Mar 2012	229.6	269.9	-	-	-	499.5	-	5768
31 Mar 2013	215.7	315.6	-	26.5	26.1	583.9	-	6412
30 Jun 2013	216.5	314.1	-	25.8	26.0	582.4	-	6215
03 Sep 2013	222.5	322.5	-	25.9	25.9	596.8	-	6468

* Distribution of cumulative surplus during the year.

£50m equity sale 06/12/12 to fund new DGF allocations.



Appendix 2

BALANCED FUND MANAGER PORTFOLIO RETURNS AND HOLDINGS

BAILLIE GIFFORD - Balanced Portfolio returns and holdings								
	Quarter End 30/06/13				Quarter End 31/03/13			
	Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%
UK Equities	25.0	20.5	-1.7	0.3	25.0	20.4	10.3	10.4
Overseas Equities								
- USA	18.0	20.2	2.2	3.3	18.0	20.0	17.7	20.6
- Europe	18.0	21.0	0.8	0.8	18.0	21.1	10.0	15.3
- Far East	9.5	10.6	-2.5	-0.7	9.5	10.7	14.8	17.1
- Other Int'l	9.5	11.9	-7.5	-5.8	9.5	12.5	5.4	6.2
UK Bonds	18.0	13.9	-3.3	-3.7	18.0	12.9	1.2	2.0
Cash	2.0	1.9	0.1	-0.1	2.0	2.4	0.1	0.3
TOTAL	100.0	100.0	-1.4	-0.5	100.0	100.0	9.7	11.9

FIDELITY - Balanced Portfolio returns and holdings								
	Quarter End 30/06/13				Quarter End 31/03/13			
	Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%
UK Equities	32.5	32.7	-1.7	2.0	32.5	32.7	10.3	14.4
Overseas Equities								
- USA	11.5	13.3	2.9	3.2	11.5	12.6	18.2	18.0
- Europe	11.5	9.5	1.0	2.5	11.5	9.6	10.3	10.4
- Japan	4.5	6.1	4.0	5.9	4.5	6.2	19.6	22.5
- SE Asia	5.0	4.6	-7.5	-6.0	5.0	5.7	9.2	9.0
- Global	9.5	9.5	1.0	0.0	9.5	9.5	15.5	14.8
UK Bonds	25.5	24.1	-3.4	-3.4	25.5	23.5	1.2	1.5
Cash	0.0	0.2	0.1	0.0	0.0	0.2	0.1	-0.5
TOTAL	100.0	100.0	-1.2	0.5	100.0	100.0	9.6	11.5

NB. Fidelity benchmarks recalculated following sale of £50m of equity investments to

WHOLE FUND - Portfolio returns and holdings (including DGF mandates)								
	Quarter End 30/06/13				Quarter End 31/03/13			
	Weighting		Returns		Weighting		Returns	
	BM	Actual	BM	Actual	BM	Actual	BM	Actual
	%	%	%	%	%	%	%	%
UK Equities	n/a	23.2	-1.7	1.2	n/a	23.1	10.3	12.5
Overseas Equities								
- USA	n/a	15.8	2.4	3.3	n/a	15.5	17.9	19.8
- Europe	n/a	14.9	0.9	1.2	n/a	15.0	10.1	14.0
- Far East	n/a	9.7	-1.7	-0.2	n/a	10.1	13.9	16.5
- Other Int'l	n/a	6.4	-7.5	-5.8	n/a	6.8	5.4	6.2
- Global	n/a	3.6	1.0	0.0	n/a	3.5	15.5	14.8
UK Bonds	n/a	16.4	-3.4	-3.6	n/a	15.6	1.2	1.8
Cash	n/a	1.1	0.1	-0.1	n/a	1.4	0.1	0.2
DGF mandates	n/a	8.9	1.2	-1.7	n/a	9.0	1.2	4.4
TOTAL	n/a	100.0	-1.0	-0.2	n/a	100.0	8.8	11.0

Appendix 3

Baillie Gifford Report for the quarter ended 30 June 2013

Investment Performance to 30 June 2013

	Fund (%)	Benchmark (%)	Difference (%)	Attribution Stock selection (%)	Attribution Asset Allocation (%)
Five Years (p.a.)	9.6	7.9	1.8	1.8	-0.1
Three Years (p.a.)	12.8	10.6	2.2	2.9	-0.9
One Year	19.5	16.6	2.9	2.5	-0.0
Quarter	-0.5	-1.4	0.9	1.0	-0.1

Performance background

Overall, your portfolio did a little better than a declining market with the underweight in bonds helping along with contributions from individual stock selection. Equities finished the quarter roughly where they started them albeit with a good deal of volatility along the way. The period got off to a good start, but fell back following Ben Bernanke's speech in May that made reference to the potential reduction and eventual end to Quantitative Easing (QE) in the United States. Clearly, some equity investors have come to the view that the removal of QE will lead to a collapse in "risky" asset prices. In our opinion, however, this misses the more encouraging longer-term point: any such withdrawal of support by the American central bank would be a sign of an improvement in the underlying economy's health. Although the rise in bond yields (and resulting fall in bond prices) following Bernanke's speech is perhaps more understandable, we have long said that yields had to rise at some point.

Portfolio Review

Changes to the portfolio have, in keeping with our long-term approach, continued to be relatively modest. In the European part of fund we took a new holding in Carl Zeiss Meditec, which designs and manufactures capital equipment for ophthalmologists and should benefit from an aging population. The business enjoys an excellent reputation among its customer base. In Asia, we bought shares in Japanese robotics firm Fanuc whose various automation products will be in demand as manufacturers strive for greater and greater efficiencies. We also purchased leading New Zealand internet business Trade Me. The company dominates the sale of used goods on line in New Zealand and has a good position in the growing online classified advertising market.

We remain enthused by the growth prospects of stocks held across the fund, either because they are in an industry that we expect to expand, or because they enjoy a competitive advantage that should allow their market share to increase (or, even better, both). In the former category there is microprocessor designer ARM and search engine giant Google (actually a play on internet advertising), while the latter would include New York state-based bank M&T and Japanese clothing retailer Fast Retailing.

Outlook

Worries about the end of QE, or European politics, or sovereign debt sustainability will come and go, but we are confident that honest entrepreneurial endeavour will endure, and that owning companies that exhibit such endeavour will add value for our clients. We are fortunate that Europe is home to a number of such companies, and we will continue our efforts to identify new ones and to learn more about those we already own. More generally, we have less to say on the macro-economic outlook, given the wide range of potential outcomes but do not believe that the end of QE presages the end of investment opportunities. We would reiterate our belief that if we invest your Fund in good and improving businesses run by honest and insightful people, and are sensible about the price we pay for them, then over time the portfolio will take care of itself.

Appendix 4

Fidelity Market Commentary

Investment Performance to 30 June 2013

	Fund	Benchmark
5 years (%pa)	10.0	7.8
3 years (%pa)	12.4	11.2
1 year (%)	21.9	16.1
Quarter (%)	0.5	-1.2

The fund out-performed by +1.7% over the quarter returning +0.5% with the composite benchmark returning -1.2%. Over the twelve months to June the fund return of +21.9% is +5.8% ahead of the benchmark of +16.1%.

Stock markets rose slightly over the second quarter of 2013. Equities advanced through the first half of the period on the back of monetary stimulus measures by central banks. This coupled with healthy corporate earnings in the US and the formation of a new Italian government, supported markets. However, concerns that the US Federal Reserve (Fed) may scale back its bond buying programme triggered a sharp reversal in equities in June. Lacklustre economic data and a looming credit crunch in China also weighed on sentiment. Equities rebounded towards the end of the quarter as comments from central banks eased concerns about the scaling back of stimulus measures. Nevertheless, the underlying mood remained fragile. Japanese equities were the best performers over the quarter, followed by the US and Europe ex UK. Conversely, Pacific ex Japan and emerging markets fell sharply. UK equities also slid, although by lesser margins.

Against this background your UK equity portfolio outperformed the index over the quarter. UK equities came under pressure during the second half of the period owing to worries that the US Federal Reserve will start to taper its bond-buying programme, whilst economic growth in the UK remained largely uneven. The increased uncertainty led to a renewed focus on some of the more defensive sectors. Mining companies, where we were underweight, remained out of favour. Returns were primarily driven by our holdings in banks, consumer services firms and pharmaceuticals.

Outside of the UK, Global equities were largely unchanged over the quarter, which was divided into two distinct periods. Positive sentiment from ongoing Japanese stimulus and encouraging US data buoyed stocks, but investor sentiment dipped as corporate earnings were less robust than expected. Increasing evidence of a Chinese slowdown, coupled with Federal Reserve chairman Ben Bernanke's remarks about the possibility of tapering quantitative easing measures also weighed on sentiment.

Your bond portfolio performed in line with the index over the quarter. Concerns that the US Federal Reserve may taper its quantitative easing measures hurt bonds. Most fixed income asset classes were sold-off as core sovereign bond yields rose and impacted the wider market for interest rate sensitive high grade corporate bonds. Credit spreads widened in the second half of the period as the fall in the government bond market cascaded to other asset classes. The extra sensitivity to credit risk hurt returns, but losses were offset by the interest rate strategy.

Gilt yields represent fair value at best, whilst corporate bond investors should expect coupon-like returns over the next year. Overall debt levels in the UK remain high, necessitating further fiscal consolidation. However, the corporate sector is still reluctant to invest given the uncertain economic environment. As a result, growth prospects remain mediocre, which should encourage the Bank of England to maintain an easy monetary policy. This environment is supportive for bonds, but the scope for significant capital gains is limited.

Appendix 5

EARLY RETIREMENTS

A summary of early retirements by employees in Bromley's Pension Fund in the current year and in previous years is shown in the table below. With regard to retirements on ill-health grounds, this allows a comparison to be made between their actual cost and the cost assumed by the actuary in the triennial valuation. If the actual cost of ill-health retirements significantly exceeds the assumed cost, the actuary will be required to consider whether the employer's contribution rate should be reviewed in advance of the next full valuation. In the three year period 2007-2010, the long-term cost of early retirements on ill-health grounds was well below the actuary's assumption in the 2007 valuation of £800k p.a. In the latest valuation of the fund (as at 31st March 2010), the actuary assumed a figure of £82k in 2010/11, rising with inflation in the following two years. In 2012/13, there were two ill-health retirements with a long-term cost of £235k, and, in the first quarter of 2013/14, there was one ill-health retirement with a long-term cost of £17k. Provision was made in the Council's budget for these costs and contributions have been made to reimburse the Pension Fund, as result of which the level of costs had no impact on the employer contribution rate.

The actuary does not make any allowance for other early retirements, however, because it is the Council's policy to fund these in full by additional voluntary contributions. In 2012/13, there were 45 other (non ill-health) retirements with a total long-term cost of £980k and, in the first quarter of 2013/14, there were 8 with a total long-term cost of £249k. Provision has been made in the Council's budget for severance costs arising from LBB staff redundancies and contributions were made to the Pension Fund in both years to offset these costs. The costs of non-LBB early retirements have been recovered from the relevant employers.

Long-term cost of early retirements	**Ill-Health**		**Other**	
	No	£000	No	£000
Qtr 1 – Jun 13 - LBB	1	17	7	244
- Other	-	-	1	5
- Total	1	17	8	249
Actuary's assumption - 2010 to 2013		82 p.a.		N/a
- 2007 to 2010		800 p.a.		N/a
Previous years – 2012/13	2	235	45	980
– 2011/12	6	500	58	1,194
- 2010/11	1	94	23	386
- 2009/10	5	45	21	1,033
- 2008/09	6	385	4	256

Appendix 6

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2012/13 £'000's	Estimate 2013/14 £'000's	Actual to 30/06/13 £'000's
INCOME			
Employee Contributions	5,483	5,400	1,330
Employer Contributions	22,002	21,400	5,160
Transfer Values Receivable	1,883	3,000	1,520
Investment Income	8,411	9,000	2,790
Total Income	37,779	38,800	10,800
EXPENDITURE			
Pensions	21,994	23,000	5,800
Lump Sums	5,539	7,000	1,860
Transfer Values Paid	2,536	3,000	480
Administration	1,889	2,000	500
Refund of Contributions	4	-	-
Total Expenditure	31,962	35,000	8,640
Surplus/Deficit (-)	5,817	3,800	2,160

MEMBERSHIP	**31/03/2013**	**30/06/2013**
Employees	5,065	4,996
Pensioners	4,731	4,777
Deferred Pensioners	4,457	4,538
	14,253	14,311