
Decision Maker: Pensions Investment Sub-Committee

Date: 23rd September 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: PENSION FUND PERFORMANCE Q1 2015/16

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 a summary of the investment performance of Bromley's Pension Fund in the 1st quarter of 2015/16. More detail on investment performance is provided in a separate report from the Fund's external advisers, AllenbridgeEpic, which is attached as Appendix 5. Representatives of Blackrock will be present at the meeting to discuss performance, economic outlook/prospects and other matters relating to their portfolio. A representative of the WM Company will also attend to present their annual report on performance for periods ended 31st March 2015. Baillie Gifford has provided a brief commentary on its performance and on its view of the economic outlook and this is attached as Appendix 2. The report also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements.

RECOMMENDATION(S)

The Sub-Committee is asked to:

- 2.1 Note the report;**
- 2.2 Note the position regarding admission agreements for outsourced services as set out in paragraphs 3.10 to 3.12;**
- 2.3 Consider and give views on further action, if any, on Phase 3 of the Investment Strategy (see paragraph 3.5).**

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 2013, 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 £3.3m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)
 3. Budget head/performance centre: Pension Fund
 4. Total current budget for this head: £36.6m expenditure (pensions, lump sums, etc); £41.5m income (contributions, investment income, etc); £710.9m total fund market value at 30th June 2015)
 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
-

Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 5,769 current employees; 4,992 pensioners; 5,111 deferred pensioners as at 30th June 2015
-

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 ended the June quarter at £710.9m (£742.9m as at 31st March 2015) but, by the end of August 2015, it had fallen to £731.5m. The comparable value as at 30th June 2014 was £637.0m. Historic data on the value of the Fund are shown in a table and in graph form in Appendix 1.

Performance targets and investment strategy

- 3.2 Historically, the Fund's investment strategy has been broadly based on a high level 80%/20% split between growth seeking assets (representing the long-term return generating part of the Fund's assets) and protection assets (aimed at providing returns to match the future growth of the Fund's liabilities). Between 1998 and 2012, Baillie Gifford and Fidelity managed balanced mandates along these lines. This strategy was confirmed in 2012, following a comprehensive review of the Fund's investment strategy. This review concluded that the growth element would, in future, comprise a 10% allocation to Diversified Growth Funds (DGF) and a 70% allocation to global equities. The latter eliminated our previous arbitrary regional weightings and provided 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.
- 3.3 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 meeting in November 2012, Phase 1 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).
- 3.4 Following further presentations by four prospective managers to a special meeting in November 2013, Phase 2 was implemented on 20th December 2013, with £200m being allocated to Baillie Gifford (from within their former equities holdings), £120m to MFS International (transferred from Fidelity) and £120m to Blackrock (£70m from Baillie Gifford and £50m from Fidelity).

Phase 3 of the Investment Strategy

- 3.5 At the last meeting in May, the Sub-Committee agreed to switch £6m from the Baillie Gifford Sterling Aggregate Plus Fund into that company's Global Bond Fund (£3m) and Emerging Market Bond Fund (£3m). A proposal to switch a further £6m from Fidelity's UK Aggregate Bond Fund into the Fidelity FIDA Fund was not agreed at the meeting. Following the meeting, further advice was received from AllenbridgeEpic, which recommended that no further action be taken, and the Director of Finance, in consultation with the Chairman and Vice-Chairman, agreed that this matter would be considered again at this meeting. A short report from AllenbridgeEpic is attached at Appendix 6 and Members' views are requested.

Summary of Fund Performance

3.6 Performance data for 2015/16 (short-term)

A detailed report on fund manager performance in the quarter ended 30th June 2015 is provided by the fund's external adviser, AllenbridgeEpic, in Appendix 5. In overall terms, the total fund returned -4.5% (net of fees) in the latest quarter, compared to the benchmark return of -4.2% and the local authority average of -2.5%. With regard to the local authority average, the fund's performance in the June quarter was in the 100th percentile (the lowest rank being 100%).

3.7 Medium and long-term performance data

Since 2006, the WM Company has measured the fund managers' results against their strategic 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. The Fund's medium and long-term returns have remained very strong. In 2014/15, the Fund returned +18.5% compared to the benchmark return of +16.4% and achieved an overall local authority average ranking in the 7th percentile. For comparison, the rankings in earlier years were 29% in 2013/14, 4% in 2012/13, 74% in 2011/12, 22% in 2010/11, 2% in 2009/10 (the second best in the whole local authority universe), 33% in 2008/09, 5% in 2007/08, 100% in 2006/07 (equal worst in the whole local authority universe), 5% in 2005/06, 75% in 2004/05, 52% in 2003/04, 43% in 2002/03 and 12% in 2001/02. The following table shows the Fund's long-term rankings in all financial years back to 2004/05 and shows the medium to long term returns for periods ended 30th June 2015 (in the 7th percentile for one year, in the 3rd percentile for three years, in the 5th percentile for five years and in the 2nd percentile for ten years). The medium to long-term results have been very good and have underlined the fact that the Fund's performance has been consistently strong over a long period. A representative of the WM Company (which provides an external performance measurement service) will attend the meeting to present the annual performance for periods ended 31st March 2015.

Year	Whole Fund Return	Benchmark Return	Local Authority average	Whole Fund Ranking
	%	%	%	
Figures to 30/6/15				
1 year (1/7/14 to 30/6/15)	11.4	9.1	8.2	7
3 years (1/7/12 to 30/6/15)	13.4	11.4	10.8	3
5 years (1/7/10 to 30/6/15)	11.6	10.1	9.7	5
10 years (1/7/05 to 30/6/15)	9.3	7.7	7.1	2
Financial year figures				
2014/15	18.5	16.4	13.2	7
2013/14	7.6	6.2	6.4	29
2012/13	16.8	14.0	13.8	4
3 year ave to 31/3/15	14.2	12.1	11.1	5
2011/12	2.2	2.0	2.6	74
2010/11	9.0	8.0	8.2	22
5 year ave to 31/3/15	10.7	9.2	8.8	11
2009/10	48.7	41.0	35.2	2
2008/09	-18.6	-19.1	-19.9	33
2007/08	1.8	-0.6	-2.8	5
2006/07	2.4	5.2	7.0	100
2005/06	27.9	24.9	24.9	5
10 year ave to 31/3/15	10.3	8.7	7.9	8

Fund Manager Comments on performance and the financial markets

3.8 Baillie Gifford have provided a brief commentary on recent developments in financial markets, their impact on the Council's Fund and the future outlook. This is attached as Appendix 2.

Early Retirements

3.9 Details of early retirements by employees in Bromley's Pension Fund in the current year and in previous years are shown in Appendix 3.

Fund Manager attendance at meetings

3.10 Meeting dates have been set for 2015/16 and Blackrock are attending this evening's meeting. While Members reserve the right to request attendance at any time if any specific issues arise, the timetable for subsequent meetings is as follows:

Meeting 18th November 2015 – MFS (global equities)
Meeting 17th February 2016 – Fidelity (fixed income) and Standard Life (DGF)
Meeting 19th May 2016 – Baillie Gifford (global equities, fixed income and DGF)

Admission agreements for outsourced services

- 3.11 On 10th June 2014, the General Purposes and Licensing Committee were informed that three of our academies were in the process of outsourcing their cleaning contracts and had requested that the contractors enter into admission agreements. A further request has since been received from another of our academies looking to outsource their catering contract. Officers have been progressing matters with both the academies and contractors with a view to establishing whether they intend to proceed and, subject to the agreements being finalised, this will result in three external contractors being admitted to the Fund. It is likely that we will receive further requests for admitted body status as more schools convert to Academies and as more Academies look to outsource work to external contractors.
- 3.12 As part of the Council's commissioning programme, all of our services are being reviewed, which, in some cases, will result in the outsourcing of further services. As a result, applications for admission body status have been received from The Landscape Group relating to the transfer of Parks and Greenspace Services approved by Executive 24th March 2015 and Southside Partnership (Certitude) relating to Adult Social Care Learning Disabilities Services approved by Executive 15th July 2015. These applications are being progressed and are expected to be finalised shortly.
- 3.13 Part 3 of Schedule 2 to the LGPS Regulations 2013 provides that an administering authority must admit to the Scheme eligible employees of a transferee admission body where such body and the scheme employer undertake to meet the requirements of the Regulations. Provided a scheme employer (including an academy) and contractor undertake to meet the requirements of the Regulations, the Council, as administering authority, has no power to refuse admitted status although we are able to agree the terms of the agreement. Further updates will be provided in quarterly performance reports.

4. POLICY IMPLICATIONS

- 4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013, for the purpose of providing pension benefits for its employees. 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 2014/15 Pension Fund Revenue Account and the position after the first quarter of 2015/16 (as at 30th June 2015) are provided in Appendix 4 together with fund membership numbers. A net surplus of £5.3m was achieved in 2014/15 (mainly due to investment income of £6.9m) and total membership numbers rose in the year by 861. In the first quarter of 2015/16, a net surplus of £1.9m was achieved and total membership numbers rose further by 76.

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 2013.

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

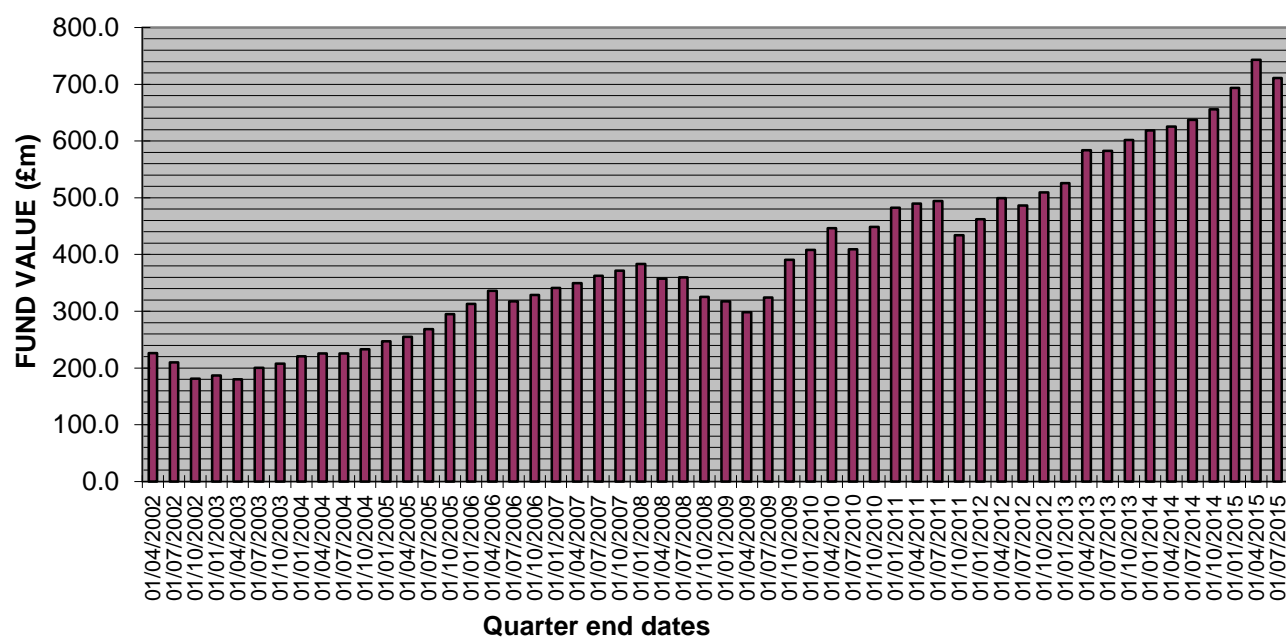
MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

Date	Standard												GRAND TOTAL
	Baillie Gifford				Fidelity			Blackrock		MFS	Life	CAAM	
	Balanced	Fixed	Global	Total	Balanced	Fixed	Total	Global	Global	DGF	LDI		
	Mandate	DGF	Income		Equities	Mandate		Income	Equities		Equities	Investment	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
31/03/2002	113.3			113.3	112.9		112.9						226.2
31/03/2003	90.2			90.2	90.1		90.1						180.3
31/03/2004	113.1			113.1	112.9		112.9						226.0
31/03/2005	128.5			128.5	126.6		126.6						255.1
31/03/2006	172.2			172.2	164.1		164.1						336.3
31/03/2007	156.0			156.0	150.1		150.1					43.5	349.6
31/03/2008	162.0			162.0	151.3		151.3					44.0	357.3
31/03/2009	154.6			154.6	143.5		143.5						298.1
31/03/2010	235.5			235.5	210.9		210.9						446.4
31/03/2011	262.7			262.7	227.0		227.0						489.7
31/03/2012	269.9			269.9	229.6		229.6						499.5
31/03/2013#	315.6	26.5		342.1	215.7		215.7				26.1		583.9
31/03/2014@	15.1	26.8	45.2	207.8	294.9		58.4	58.4	122.1	123.1	27.0		625.5
30/06/2014		43.0	46.1	208.9	298.0		59.7	59.7	126.5	125.5	27.3		637.0
30/09/2014		43.8	48.1	213.3	305.2		61.5	61.5	131.6	129.5	28.1		655.9
31/12/2014		44.0	50.2	227.7	321.9		64.9	64.9	139.3	139.2	28.4		693.7
31/03/2015		45.5	51.6	248.2	345.3		66.6	66.6	150.5	150.8	29.7		742.9
30/06/2015		45.1	49.6	236.9	331.6		64.4	64.4	143.3	142.3	29.3		710.9

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

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

PENSION FUND - QUARTERLY VALUES SINCE 2002



Baillie Gifford Report for the quarter ended 30 June 2015

Global Equities

Performance (net) to 30 June 2015 (%) *

	Fund Net	Benchmark
Five Years (p.a.)	12.0	10.3
Since 31/12/13 (p.a.)	10.4	8.9
One Year (p.a.)	13.2	10.1
Quarter	-4.7	-5.1

*Balanced mandate prior to investing in Global Alpha wef 31 December 2013

Commentary

A plethora of media stories have gripped global markets over the past three months with the continuing spotlight on Greece and its future in the Euro, political tensions in Eastern Europe and the conflict in the Middle East. Those of a nervous disposition can be forgiven for being less than sanguine about world events, but we prefer to look through such short-term media hyperbole and concentrate on the long-term opportunities that exist globally for growth-focused stock-pickers. The US economy continues on the road to recovery, albeit with bumps along the way. The return of stronger job growth and buoyant consumer spending in May is likely to bolster the resolve of officials at the Federal Reserve who hope to start raising rates from their near-zero level later this year. Certainly, we view a normalisation of monetary policy as a positive signal; the patient coming off life support. In China, the government, prompted by its efforts to re-orientate the economy away from fixed asset investment to consumption and services, is sensibly starting to downplay headline GDP targets in favour of the 'new normal'. The government is using the tailwind of rising equity markets to decrease debt burdens and increase the privatisation of the economy. Recapitalised State Owned Enterprises (SOEs), better corporate governance and the internationalisation of the renminbi all point towards the emergence of China's new economy.

An area of research focus for the Global Alpha investors is rapid technological change and obsolescence. The pace of such progress is already having a dramatic impact on the global economy and over the coming decade major benefits should accrue, both to innovative businesses and also to the consumer. Facebook, for example, has only been around for 11 years but in market capitalisation terms is already substantially bigger than the centenarian IBM. Youthful, capital-light companies are harnessing rapid innovation to attack mature existing profit pools. Incumbents who fail to change or adapt are at real risk of obsolescence. More than that, we argue that across large swathes of industry the response to such change has been an inappropriate head-burial, a focus on the short-term maximisation of profits through a return of capital to shareholders and a misguided desire to buy growth via acquisition rather than invest in new research and development. Timely affirmation of this occurred during the quarter when \$243 billion worth of deals were struck in the US in May, making it the biggest month for mergers and acquisitions in US corporate history.

We firmly believe that deploying our clients' capital into businesses that can embrace change and have the vision to look out a decade and more is a much better way to generate sustainable long-term outperformance. In this vein, we've bought a new holding and added to an existing one over the quarter. Both promise to be disruptive winners. The recent purchase of Autohome shows how disruption and innovation is at the forefront of the new Chinese economic model. This auto website, which feeds off a rapidly growing primary market for cars, generates revenue through advertising and subscriptions from both manufacturers and car dealers. Collection and analysis of vast amounts of data are some of the driving forces behind the huge growth in the Chinese e-commerce platform Alibaba. Leveraging its massive scale, the company is building out its ecosystem into logistics, money market funds, online payments and cloud computing. Enthused by the founder Jack Ma's long-term vision for the company, we added to the holding. To free up funds for these purchases we've made a number of reductions in holding size over the quarter.

The partial sale of Inpex, the Japanese oil and gas exploration and production company, continues the trend of the progressive 'de-carbonisation' of the portfolio. For context, three years ago there were nine oil and gas names, making up 8% of the portfolio. The numbers today are five and 4% respectively. We still like this company. Construction work on its Ichthys liquefied natural gas field off the north-western coast of Australia is nearing completion. Execution to date has been good and the project's cost is in line with targets. It will be a valuable asset once it is brought into full production. However, as discussed above, we think that significant parts of the index are, on a longterm view, at risk of obsolescence. Intensive, polluting energy production is, we believe, one such area of vulnerability. Rebalancing after a prolonged period of strong share price appreciation has accounted for the reductions to both Royal Caribbean Cruises and Naspers. Royal

Caribbean has been a beneficiary of a rebound in consumer spending, particularly in its home market of the US. This holiday company is also seeing a boost from industry-wide capacity discipline and a return of pricing power that should allow it to double the return on invested capital by 2017. Naspers, the South African-listed pay TV and social media business has a large stake in the Chinese gaming and e-commerce site, Tencent, to which its share price is highly correlated. Tencent dominates mobile gaming in China and is starting to monetise this opportunity. It's also branching out into financial services, a crucial step in driving forward the integration of its e-commerce services.

Outlook

The large number of imponderables will undoubtedly cause further volatility in markets over the coming months. Our job, as long-term investors, is to look through the sentiment that manipulates markets in the short term and identify companies that can sustainably grow their earnings at above average rates. The emergence of disruptive champions, harnessing the power of rapid innovation and attacking mature, existing profit pools, is unquestionably changing the economic order around us. Furthermore, an investment environment characterised by rapid change will play to our strengths as bottom-up stock-pickers. We firmly believe that our focus on identifying these future winners will be key to adding value for our clients over the long term.

Diversified Growth

Performance (net) to 30 June 2015 (%)

	Fund	Benchmark
Since inception (p.a.)*	5.50	4.00
One Year (p.a.)	4.80	4.00
Quarter	-0.70	1.00

* 06/12/12.

The Diversified Growth Fund had a modestly negative quarter but performed better than both equity and bond markets. Longer-term performance is ahead of its benchmark. The Fund remains broadly diversified across a range of asset classes. Over the past three months, we have added more European high yield credit and European property to the mix as the valuations of both asset classes look attractive, with yields of between 4% and 6%. We are nervous of the potential effect of rising government bond yields, however, and have hedged against this occurrence. High yield credit and equities remain the largest asset classes in the portfolio, though both are still at moderate levels. Our equity exposure is split so as to favour Japan, Europe and Emerging Markets over the US, where we think valuations are more stretched, currency strength may be a hindrance and profit margins are already at a very high level relative to history. The other major portfolio allocations are to structured finance and emerging market debt. In structured finance, we believe the rewards on offer for similar levels of risk are superior to regular credit markets. For emerging market debt, yields are much higher than in developed markets (the JP Morgan GBI-EM index yields about 7%, compared to a yield of less than 2% on a US Treasury bond with similar duration) and currencies appear to be fair value, following recent falls against a particularly strong US dollar.

Fixed Income

Performance (net) to 30 June 2015 (%)

	Fund	Benchmark
Since reorganisation*	-2.08	-1.92
Since 09/12/13 (p.a.)**	7.81	7.19
Quarter	-3.76	-3.76

* 01/06/15.

** Inception date of bond mandate

The bond market had a poor quarter for performance, with both your portfolio and its benchmark down almost 4%. Investors have begun to anticipate interest rate rises from central banks in the US and UK and have been reluctant to add to bond holdings until yields offer better value. There was, therefore, a generalised sell-off in both government and corporate bonds globally. We feel this has been rather overdone and have positioned your portfolio to benefit from a correction. Separately, we believe that currencies in which interest rises are anticipated will appreciate against currencies like the euro where rises are a long way off. Our active currency positioning reflects this view. Your corporate bond holdings are diversified across a wide range of holdings that we view as attractive and average credit ratings are strong. Finally, we executed the modest revision to your portfolio you requested, adding positions in our unconstrained global credit fund and emerging market bond fund and the overall yield on your portfolio has risen in consequence.

Baillie Gifford update re recent market volatility

The following note provides some commentary on the impact on the London Borough of Bromley Portfolio of the recent market volatility. The time period is obviously short and as you would expect we have not made any significant strategic changes to the portfolio during this period.

London Borough of Bromley Portfolio Performance – 1 July 2015 to 8 September 2015 (%)		
	Fund Return (gross)	Benchmark Return
Global Equities (Global Alpha)	-4.24	-4.98
Fixed Income	1.80	1.38
	Fund Return (net)	BOE Base Rate +3.5% p.a.
Diversified Growth	-1.33	0.77

Market movements over the past few weeks have been significant. The correction in Chinese stocks as a result of growing concerns about economic growth has been the most significant driver of the recent falls, influencing equity indices well beyond their domestic market. Since early July, global equity markets are down c. 5% with the Asian Emerging Market Equity Index and China particularly weak - down c. 15% and 23% respectively (local currency).

Your **Global Alpha** portfolio has fallen in value in recent weeks, in line with global equity markets. As long term, bottom up investors, we select stocks based on fundamentals in the belief that share prices ultimately follow earnings. With an investment horizon of at least 5 years we are therefore more focussed on the long-term operational progress of companies rather than on short-term market movements such as those we have experienced in recent weeks.

China and its impact on the global economy has been an area of interest for us for a number of years and we think it's important to view fears of a slowdown within a broader context. The Chinese government are in the process of repositioning the Chinese economy, from infrastructure investment based growth to consumption based growth. This will take some time to come through, but does form part of a broader plan. Over the past year or so we have been looking for ideas oriented towards the 'new', consumption-based Chinese economy (we do not invest in the local market but do have Chinese holdings listed in Hong Kong etc). One such example is Alibaba, the ecommerce website. We remain positive on the long-term outlook for these companies, who have innovative, capital light business models and have demonstrated strong growth.

Elsewhere, we've been concerned about certain other Emerging Market countries which have benefited from QE and a commodities boom (largely as a result of Chinese demand), but have failed to reposition their economies during those good times; South Africa and Brazil are two such examples. As a result, the portfolio has had relatively little exposure to commodities or these countries for some time.

In Developed Markets, we've been positive on continued economic healing, most notably in the US, and good company earnings coming out of the most recent results season have reinforced this view. We've bought a number of companies for the portfolio over the past years which are geared into a continued US recovery, examples including CH Robinson, the logistics broker, and Zillow, the online real estate portal.

All of this means that we have not repositioned the portfolio as a result of recent volatility and have no plans to do so. Volatility may throw up opportunities for us, and we are monitoring an eclectic mix of companies where we have liked the long-term underlying growth prospects for some time, but had not previously bought holdings based largely on valuation grounds.

Your **Fixed Income** portfolio has performed relatively well through this short period, generally as a result of currency positioning across the strategies. For your **Diversified Growth Fund**, the main detractors were emerging market bonds and listed equities. For emerging markets, there are a series of factors acting as a headwind: lower expectations surrounding Chinese growth; a stronger US dollar (not least on the back of expectations of an increase in their domestic interest rate), and; generally lower commodity prices. For the Fund, however, we still believe there is merit in having a moderate degree of exposure to a set of decent yielding emerging market bonds. With regard to listed equities, we continue to look at the longer-term return expectations, viewing the recent fall as an opportunity to make specific purchases (albeit in small size) in areas such as the UK and European indices.

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 latest valuation of the Fund (as at 31st March 2013), the actuary assumed a figure of £1m p.a from 2014/15, a significant increase over the estimate of £82k p.a. in the 2010 valuation. In 2014/15, there were seven ill-health retirements with a long-term cost of £452k and, in the first quarter of 2015/16, there were two ill-health retirements with a long-term cost of £307k. Provision has been made in the Council's budget for these costs and contributions have been and will be made to reimburse the Pension Fund, as result of which the level of costs will have no impact on the employer contribution rate.

The actuary does not make any allowance for other (non-ill-health) early retirements, however, because it is the Council's policy to fund these in full by additional voluntary contributions. In 2014/15, there were 19 other retirements with a total long-term cost of £272k and, in the first quarter of 2015/16, there were three non ill-health retirements with a long-term cost of £100k. Provision has been made in the Council's budget for severance costs arising from LBB staff redundancies and contributions have been and will be made to the Pension Fund to offset these costs. The costs of non-LBB early retirements have been recovered from the relevant employers.

Long-term cost of early retirements	Ill-Health		Other	
	No	£000	No	£000
Qtr 1 – June 15 - LBB	1	282	3	100
- Other	1	25	-	-
- Total	2	307	3	100
Actuary's assumption - 2013 to 2016		1,000 p.a.		N/a
- 2010 to 2013		82 p.a.		N/a
Previous years – 2014/15	7	452	19	272
- 2013/14	6	330	26	548
- 2012/13	2	235	45	980
- 2011/12	6	500	58	1,194

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2014/15 £'000's	Estimate 2015/16 £'000's	Actual to 30/06/15 £'000's
INCOME			
Employee Contributions	6,106	6,000	1,400
Employer Contributions			
- Normal	18,872	19,500	4,900
- Past-deficit	6,001	6,000	1,500
Transfer Values Receivable	2,896	3,000	400
Investment Income	6,867	7,000	2,300
Total Income	<u>40,742</u>	<u>41,500</u>	<u>10,500</u>
EXPENDITURE			
Pensions	24,470	25,200	6,300
Lump Sums	4,477	5,000	1,300
Transfer Values Paid	3,277	3,000	200
Administration	3,180	3,300	800
Refund of Contributions	88	100	-
Total Expenditure	<u>35,492</u>	<u>36,600</u>	<u>8,600</u>
Surplus/Deficit (-)	<u>5,250</u>	<u>4,900</u>	<u>1,900</u>
MEMBERSHIP			
	31/03/2015	30/06/2015	
Employees	5,782	5,769	
Pensioners	4,948	4,992	
Deferred Pensioners	5,066	5,111	
	<u>15,796</u>	<u>15,872</u>	