Report No.
FSD16014

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Pensions Investment Sub-Committee**
Date:	**11th February 2016**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSION FUND PERFORMANCE Q3 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 3rd 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 6. Representatives of Fidelity and Standard Life will be present at the meeting to discuss performance, economic outlook/prospects and other matters relating to their portfolio. Baillie Gifford has provided a commentary on its performance and on its view of the economic outlook and this is attached as Appendix 3. The report also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements.

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 3.11 to 3.12.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2009) 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); £732.0m total fund market value at 31st December 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

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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): 6,150 current employees; 5,073 pensioners; 5,223 deferred pensioners as at 31st December 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 December quarter at £732.0m (£684.4m as at 30th September 2015) but it had fallen to £701.5m as at the date this report was written (26th January). The comparable value as at 31st December 2014 was £693.7m. Historic data on the value of the Fund are shown in a table and in graph form in Appendix 1 and an analysis of changes in Fund value since 2002 is provided in Appendix 2.

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. In 2012, a comprehensive review of the Fund's investment strategy confirmed this high-level strategy. It concluded that the growth element would, in future, comprise a 10% allocation to Diversified Growth Funds (DGF) and a 70% allocation to global equities, with a 20% protection element remaining in place for investment in corporate bonds and gilts.

3.3 The revised strategy was implemented in three separate phases: Phase 1 (Diversified Growth) was implemented on 6th December 2012 with a transfer of £50m from Fidelity's equity holdings (£25m to both Baillie Gifford and Standard Life); Phase 2 (global equities) 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); and Phase 3 (fixed income) was finalised in May 2015, when £6m was switched from the Baillie Gifford Sterling Aggregate Plus Fund into that company's Global Bond Fund (£3m) and Emerging Market Bond Fund (£3m).

Summary of Fund Performance

3.4 <u>Performance data for 2015/16 (short-term)</u>
A detailed report on fund manager performance in the quarter ended 31st December 2015 is provided by the fund's external adviser, AllenbridgeEpic, in Appendix 6. In overall terms, the total fund returned +6.9% (net of fees) in the latest quarter, compared to the benchmark return of +5.7%. This followed overall returns of -3.8% in the September quarter (benchmark -3.6%; local authority average -3.5%) and -4.5% in the June quarter (benchmark -4.2%; local authority average -2.5%). With regard to the local authority average, the rankings for the December quarter are not yet available, but the fund's performance in the September quarter was in the 66th percentile (the lowest rank being 100%) and, in the June quarter, it was in the 100th percentile. Performance in December was considerably better and a significantly higher ranking is expected for that quarter.

3.7 <u>Medium and long-term performance data</u>
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 2005/06 and shows the medium to long-term returns for periods ended 31st December 2015 (local authority averages and whole fund rankings for December are not yet available, so the rankings for September are shown). For periods ended 30th September 2015, the Bromley Fund ranked in the 24th percentile for one year, in the 14th percentile for three years, in the 25th percentile for five years and in the 8th percentile for ten years). The medium to long-term results have been good and have underlined the fact that the Fund's performance has been consistently strong over a long period.

Year	Whole Fund Return	Benchmark Return	Local Authority average	Whole Fund Ranking
	%	%	%	
Figures to 31/12/15				
1 year (1/1/15 to 31/12/15)	5.3	3.4	n/a	24*
3 years (1/1/13 to 31/12/15)	11.6	9.5	n/a	14*
5 years (1/1/11 to 31/12/15)	8.6	7.3	n/a	25*
10 years (1/1/06 to 31/12/15)	8.2	6.7	n/a	8*
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***

NB. * Rankings shown to 30/09/15 (December rankings not yet available)

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 3.

Early Retirements

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

Fund Manager attendance at meetings

3.10 Meeting dates have been set for 2015/16 and both Fidelity and Standard Life are attending this evening's meeting, with Baillie Gifford scheduled to attend the final meeting of the year on 19th May. Members do, however, reserve the right to request attendance at any time if any specific issues arise.

Admission agreements for outsourced services

3.11 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.

3.12 At the last meeting on 18th November, the Sub-Committee noted the position regarding admission agreements for outsourced services. An update was provided on three potential admission body employers, as a result of academies outsourcing either cleaning or catering contracts, and on The Landscape Group, Southside Partnership (Certitude) and Passenger Transport Services staff transfer to GS Plus on 1st December 2015. There is nothing significant to add in this report, but further updates will be provided in future 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, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2009) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1 Details of the actual position of the 2015/16 Pension Fund Revenue Account (as at 31st December 2015) are provided in Appendix 5 together with fund membership numbers. A net surplus of £3.5m was achieved in the first three quarters of 2015/16 (mainly due to investment income of £5.0m) and total membership numbers rose by 650. A net surplus of £5.3m was achieved in 2014/15 (including investment income of £6.9m) and total membership numbers rose in that year by 861.

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. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2009) set out the parameters for the investment of Pension Fund monies.

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

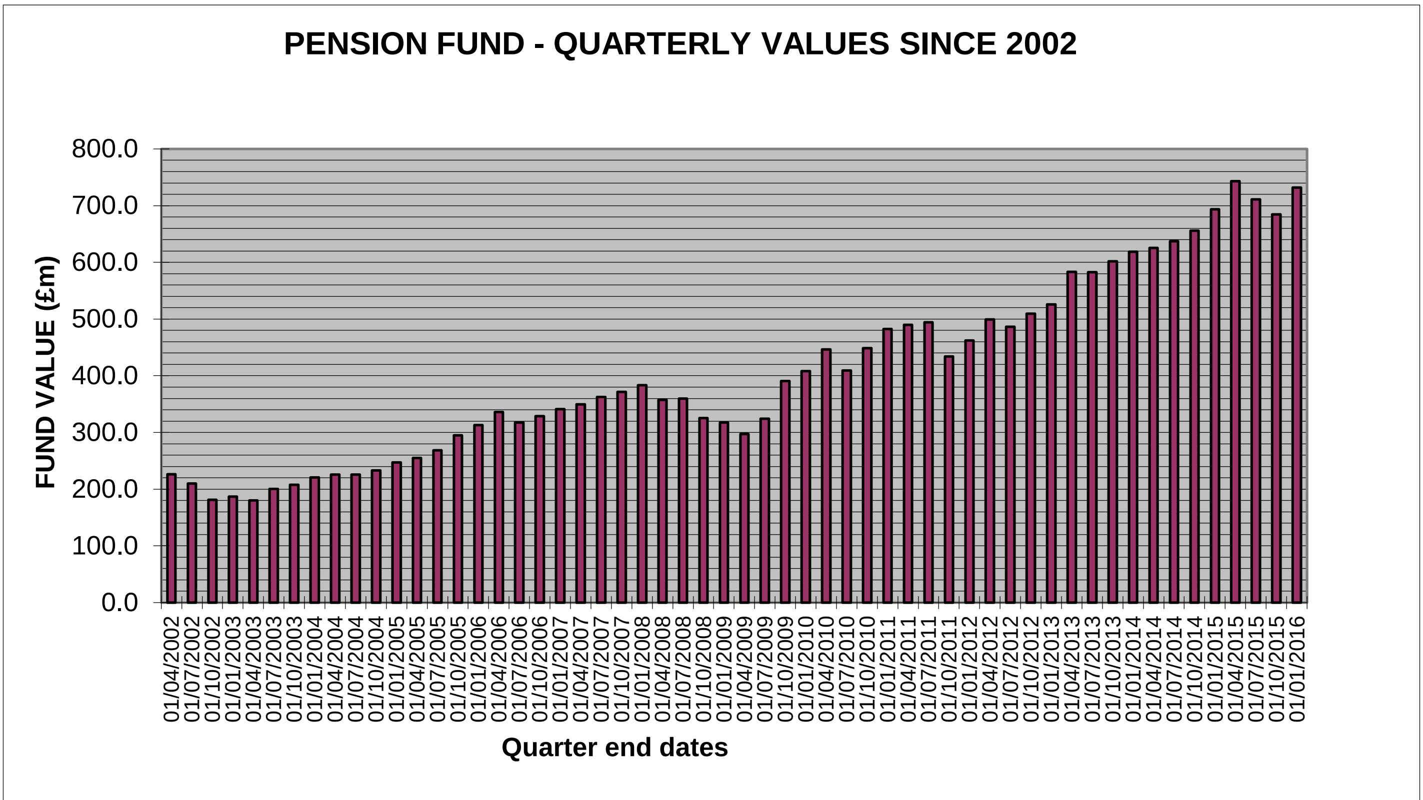
Appendix 1

MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

Date	Baillie Gifford					Fidelity			Blackrock	MFS	Standard Life	CAAM	
	Balanced Mandate	DGF	Fixed Income	Global Equities	Total	Balanced Mandate	Fixed Income	Total	Global Equities	Global Equities	DGF	LDI Investment	GRAND TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31/03/2002	113.3				113.3	112.9		112.9					226.2
31/03/2003	90.2				90.2	90.1		90.1					180.3
31/03/2004	113.1				113.1	112.9		112.9					226.0
31/03/2005	128.5				128.5	126.7		126.7					255.2
31/03/2006	172.2				172.2	164.1		164.1					336.3
31/03/2007	156.0				156.0	150.1		150.1				43.5	349.6
31/03/2008	162.0				162.0	151.3		151.3				44.0	357.3
31/03/2009	154.4				154.4	143.0		143.0					297.4
31/03/2010	235.4				235.4	210.9		210.9					446.3
31/03/2011	262.6				262.6	227.0		227.0					489.6
31/03/2012	269.7				269.7	229.6		229.6					499.3
31/03/2013#	315.3	26.5			341.8	215.4		215.4			26.1		583.3
31/03/2014@	15.1	26.8	45.2	207.8	294.9		58.4	58.4	122.1	123.1	27.0		625.5
31/03/2015		45.5	51.6	248.2	345.3		66.6	66.6	150.5	150.8	29.7		742.9
30/06/2015		45.1	49.6	236.9	331.6		64.4	64.4	143.3	142.3	29.3		710.9
30/09/2015		44.2	50.4	223.6	318.2		65.2	65.2	133.3	138.9	28.8		684.4
31/12/2015		44.9	50.1	247.5	342.5		65.2	65.2	143.3	151.7	29.3		732.0
26/01/2016		43.7	50.6	229.6	323.9		65.7	65.7	135.1	148.0	28.8		701.5

£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.



Appendix 2

Pension Fund - breakdown of changes in Fund Value since 2002

Financial Year	MV b/fwd 1st April £m	Employer & Employee Conts # £m	Benefits @ £m	Payments re leavers $ £m	Admin costs (inc manager fees) £m	Growth (change in MV) £m	Invest-ment income £m	Other movements £m	MV c/fwd 31st March £m
2002/03	226.2	20.5	-14.8	-3.6	-1.1	-51.5	5.6	-1.0	180.3
2003/04	180.3	22.5	-14.6	-3.5	-1.0	37.6	5.3	-0.6	226.0
2004/05	226.0	24.7	-15.5	-3.2	-1.0	18.8	5.3	0.1	255.2
2005/06	255.2	28.0	-16.0	-3.0	-1.4	66.1	6.3	1.1	336.3
2006/07	336.3	27.4	-18.1	-2.9	-1.2	3.1	5.9	-0.9	349.6
2007/08	349.6	30.8	-20.5	-4.2	-1.3	0.0	5.9	-3.0	357.3
2008/09	357.3	30.1	-21.6	-1.5	-2.3	-75.0	7.8	2.6	297.4
2009/10	297.4	33.6	-24.2	-4.2	-2.9	139.3	7.1	0.2	446.3
2010/11	446.3	33.0	-25.2	-2.8	-3.0	32.1	7.5	1.7	489.6
2011/12	489.6	32.3	-27.0	-1.8	-1.8	2.0	8.5	-2.5	499.3
2012/13	499.3	29.4	-27.5	-2.5	-1.9	77.0	8.4	1.1	583.3
2013/14	583.3	34.6	-29.3	-1.6	-2.4	34.8	7.7	-1.6	625.5
2014/15	625.5	33.9	-28.9	-3.4	-3.2	111.8	6.9	0.3	742.9
TOTAL (13 YEARS)		380.8	-283.2	-38.2	-24.5	396.1	88.2	-2.5	

Contributions - employee and employer (inc. past deficit) and transfer values receivable
@ Benefits - pensions and lump sums
$ Payments re leavers - refunds of contributions and transfer values payable

Appendix 3

Baillie Gifford Report for the quarter ended 31 December 2015

Global Equities

Performance to 31 December (%)

	Fund Gross	Fund Net	Benchmark
Five Years (p.a.)*	9.4	9.2	7.4
Since 31/12/2013 (p.a.)	10.3	9.9	7.5
One Year	8.8	8.4	3.8
Quarter	10.6	10.5	8.1

* Balanced mandate prior to December 2013

Investment Environment

As we approached the end of the year, the financial news continued to be dominated by three themes: uncertainties around Chinese growth; the prospect of the US Federal Reserve raising interest rates; and continued weakness in oil and other commodity prices.

When GDP growth in China slowed in the first half of the year to its lowest rate since the end of the 2008 financial crisis, it sparked huge fears that Chinese economic weakness would derail global growth. Whilst events in China are certainly reflective of an economic slowdown, they are not necessarily a signal that the new economy with its consumption-oriented model is crippled. We continue to believe that the emerging middle class in China will carry the economy forward over the next decade.

December saw the first announcement of a US interest rate rise since the financial crisis. We have long believed that a return towards more normal levels of interest rates should be interpreted as a clear sign of economic health, and our view is that the economic recovery in the United States is continuing to build momentum, albeit a strengthening dollar has taken some of the vigour out of corporate earnings. Throughout the course of this year, we have bought new holdings such as Zillow (online real estate platform) and C.H. Robinson (logistics services) which are likely to be beneficiaries of growth within this region.

The oil price has dropped to below $39 a barrel, its lowest since December 2008 owing to a combination of slightly weaker demand, and OPEC’s desire to keep volumes steady. The portfolio continues to have little exposure to oil companies, and the low price has acted as a positive growth driver for holdings where oil is a major component of their costs.

Portfolio update and outlook

We continue to have a strong belief in the growth opportunity presented by our internet platforms. The competitive position of our larger internet companies, such as Amazon, Alphabet (Google), and Facebook, is getting stronger and their future growth potential remains significant. Notwithstanding their strong performance to date, their ability to develop auxiliary services and revenues supports their growth outlook and further cements their competitive positions. We think that there is building evidence that large sectors of the internet will prove to be ‘winner takes all’ markets. Clearly, this poses questions for our ongoing investments in companies such as eBay and Twitter.

Our work examining our highest conviction holdings has also brought us to the conclusion that the market has started to catch up with our thinking on both Ryanair and Royal Caribbean. Whilst we remain positive on the long-term growth outlook for these businesses, the move in valuations has persuaded us to reduce the holding sizes.

We took a new holding is GrubHub, a leading US online takeaway ordering platform which connects restaurants with consumers. A second addition to the portfolio is Alnylam Pharmaceuticals, an early stage US biotechnology company. We also added to our positions in CRH, the building materials group, and SAP which develops enterprise application software. The complete sale during the period was FLIR Systems, a supplier of infrared vision and thermography systems for defence, commercial, and industrial applications.

As we enter 2016, we accept that there are major uncertainties with the macro backdrop but we see more reasons to be positive than negative on the outlook, particularly when we focus on the prospects for growth in the US and for European recovery. Amidst all of this macroeconomic speculation, we remain confident in our ability to seek out high quality growth companies for the portfolio. With regards to where these opportunities may be best accessed, we are currently working on our Global Alpha Research Agenda for 2016 which will help guide the focus for our research efforts over the next 12 months. We look forward to sharing this paper with you in more detail next quarter.

Diversified Growth

Performance to 31 December (%)

	Fund Net	Base Rate +3.5%
Since Inception* (p.a.)	4.4	4.0
Three Years (p.a.)	4.2	4.0
One Year	1.9	4.0
Quarter	1.6	1.0

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

Summary Risk Statistics (%)

Delivered Volatility	4.4

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

The return on the DG Fund (net of fees) in the past three months was 1.6%. This, to some degree, represented a bounce back in economically-sensitive asset classes, particularly listed equities and emerging market bonds, after a weak third quarter, though others, specifically US high yield bonds, continued to sell off.

Elsewhere, most asset classes were broadly flat in terms of overall contribution to performance, with the aforementioned high yield bonds, as well as commodities and active currency detracting marginally.

We made few transactions over the quarter, save for adding 1% to our US high yield bond exposure, as spreads widened again on the back of the latest fall in oil prices. This takes our US high yield bond exposure to 6%.

We also continue to own European high yield bonds. Whilst we have not changed the size of our allocation, we did take the decision to hedge the underlying interest rate exposure through a further sale of Euro-Bobl futures (previously, just under half of the exposure had been hedged). This was prompted by seeing German five-year bond yields hit -0.2%.

We decreased our emerging market debt exposure from 9% to 8% through the sale of a Brazilian inflation linked bond, as the price of these rallied.

Finally, in November, we established a new currency position: long Japanese yen versus short Korean won. We believe the Korean won needs to weaken, largely because Korea is particularly challenged by a combination of poor demographics; high household debt; low domestic demand and poor competitiveness relative to China and Japan, with the yen having depreciated 30% against the won in recent years.

We remain reasonably optimistic about both economic growth and financial market returns. Real global growth and inflation are both likely to remain at 2.5%–3%, leading to 5% or 6% annual growth in nominal GDP over the next few years.

Whilst some asset classes, such as US equities, remain fairly fully valued in our view, other asset classes, particularly those with some commodity element to them, such as US high yield bonds, have cheapened noticeably. Overall, valuations across financial markets remain close to our estimates of fair value. This suggests that investment returns are likely to remain modest from here.

Fixed Income

	Fund (%)	Benchmark† (%)	Difference (%)
Since Reorganisation *	-1.20	-0.74	-0.46
Since 09/12/13 (p.a.)**	6.31	6.00	0.31
One Year	-0.14	0.08	-0.22
Quarter	-0.63	-0.16	-0.46

*01/06/2015

** Inception date of bond mandate

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

Source: Statpro

Absolute returns for your Fund and its benchmark were negative over the quarter, with the Fund underperforming, largely due to stock selection in corporate bonds. After exactly seven years of no change, the Federal Reserve finally raised rates in December by a quarter of a percentage point. Given how clearly this had been signalled, it is perhaps unsurprising that market reaction was muted and riskier asset classes rallied a little on the announcement.

Bond yields rose slightly in the UK, but lower commodity prices have been the catalyst for far sharper movements in commodity exporting emerging markets' bonds. The US dollar and euro were the strongest currency majors while sterling and the Japanese yen sold off slightly. However, commodity exposure was once again the driver of weakness in Australian, Russian and South African currencies.

Bond markets are likely to remain volatile owing to US interest rate rises and so we have taken relatively modest interest rate positions. We expect a pickup in US and UK inflation and have positioned your Funds to benefit from higher bond yields in both markets. Conversely, cyclical and structural challenges to the Korean, Norwegian and Greek economies should see their monetary authorities seek to keep bond yields lower than the market anticipates. We have, therefore, taken long duration positions here which will pay off if yields fall. While the Eurozone has undoubtedly stabilised, investors are still nervous. We believe that this will lead to flows into peripheral currencies, such as the Swedish krone and Czech koruna and we have taken bullish positions in these, funded from euros.

The outlook largely depends on how markets react to the interplay between the two largest global economies, China and the US. Our belief is that both can come through their current transitions well but, such is the short-term nature of today's markets, this will not translate to smooth returns in financial markets.

More broadly, we anticipate a continuance of the prolonged but somewhat messy global recovery. Many economies have yet to find a balance or have more recently been thrown out of kilter by commodity price falls. Currencies and bond yields will undoubtedly change as part of the adjustment process and our focus will be on finding the relative winners and losers.

Baillie Gifford
January 2016

Appendix 4

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 three quarters of 2015/16, there were seven ill-health retirements with a long-term cost of £1,007k. 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 three quarters of 2015/16, there were 19 non ill-health retirements with a long-term cost of £589k. 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 3 – Dec 15 - LBB	2	191	6	167
- Other	-	-	-	-
- Total	2	191	6	167
Total 2015/16 – LBB	5	823	16	589
- other	2	184	3	-
- Total	7	1,007	19	589
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

Appendix 5

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2014/15 £'000's	Estimate 2015/16 £'000's	Actual to 31/12/15 £'000's
INCOME			
Employee Contributions	6,106	6,000	4,600
Employer Contributions			
- Normal	18,872	19,500	14,900
- Past-deficit	6,001	6,000	4,500
Transfer Values Receivable	2,896	3,000	1,000
Investment Income	6,867	7,000	5,000
Total Income	40,742	41,500	30,000
EXPENDITURE			
Pensions	24,470	25,200	19,000
Lump Sums	4,477	5,000	4,300
Transfer Values Paid	3,277	3,000	600
Administration			
- Manager fees	2,495	2,700	2,100
- Other	685	600	400
Refund of Contributions	88	100	100
Total Expenditure	35,492	36,600	26,500
Surplus/Deficit (-)	5,250	4,900	3,500

MEMBERSHIP	**31/03/2015**	**31/12/2015**
Employees	5,782	6,150
Pensioners	4,948	5,073
Deferred Pensioners	5,066	5,223
	15,796	16,446