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**Decision Maker:** Pensions Investment Sub-Committee

**Date:** 19<sup>th</sup> May 2016

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

**Title:** PENSION FUND CASH FLOW

**Contact Officer:** James Mullender, Principal Accountant (Technical & Control)  
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**Chief Officer:** Director of Finance

**Ward:** All

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**1. Reason for report**

- 1.1** This report provides an update on the projected cash flow position for the Pension Fund over the next few years, with initial commentary and potential options provided by the Council's investment adviser, AllenbridgeEpic.
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**2. RECOMMENDATIONS**

**2.1 The Sub-Committee is asked to:**

- (a) Note the contents of the report;
- (b) Agree to a review of the Pension Fund asset allocation strategy, to be reported back to a future meeting of the Sub-Committee.

## 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.
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## Financial

1. Cost of proposal: No cost
  2. Ongoing costs: Recurring cost. Total administration costs estimated at £3.0m (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: £34.7m expenditure (pensions, lump sums, etc); £40.7m income (contributions, investment income, etc); £745.8m total fund market value at 31<sup>st</sup> March 2016)
  5. Source of funding: Contributions to Pension Fund
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## 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.
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,234 current employees; 5,084 pensioners; 5,287 deferred pensioners as at 31<sup>st</sup> March 2016
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

### **3. COMMENTARY**

- 3.1 As has been previously reported to this sub-committee, the Pension Fund is currently projected to move to a 'cash-negative' position within the next five years i.e. the total cost of payments to pensioners will exceed the total incoming cash flow to the pension fund from employee and employer contributions, and investment income. This position will be updated as part of the triennial valuation being undertaken this year.
- 3.2 As a result, the Council's Pension Fund investment adviser, AllenbridgeEpic, has produced a report attached as Appendix 1, explaining this in further detail, and providing some initial options outlining how the cash flow position could be managed in the future.
- 3.3 In addition, officers are planning to hold a roundtable meeting with the Fund Managers, Chairman and Vice-Chairman of this Sub-Committee, Portfolio Holder for Resources and AllenbridgeEpic to explore options for the future investment and asset allocation strategy of the Pension Fund.
- 3.4 It is anticipated that a report will be produced for a future meeting of this sub-committee detailing the outcome of this discussion, and providing proposals for a revised asset allocation strategy.
- 3.5 The Director of Finance will provide a verbal update to the sub-committee under part 2 proceedings of the meeting regarding commissioning further work to explore changes in the future asset allocation to reflect the impact of the updated cash flow of the Fund.

### **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 2015/16 Pension Fund Revenue Account and Fund Performance are provided in the 'Pension Fund Performance Q4 2015/16' report elsewhere on the agenda.
- 5.2 There will be additional costs incurred of any work that is commissioned, which will include costs from the Council's actuary, Mercer. Further information will be provided in the verbal update in Part 2 of the meeting.

### **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.

<b>Non-Applicable Sections:</b>	Personnel Implications
Background Documents: (Access via Contact Officer)	<p>'Pension Fund Performance Q1 2015/16' - Pensions Investment Sub-Committee, 23<sup>rd</sup> September 2015</p> <p>'Revised Investment Strategy - Phase 3 Update (Fixed Income)' – Pensions Investment Sub-Committee, 11<sup>th</sup> February 2014</p>