

Decision Maker: Pensions Investment Sub-Committee

Date: 21st September 2016

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

Title: PENSION FUND ANNUAL REPORT 2015/16

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Chief Officer: Director of Finance

Ward: All

1. Reason for report

1.1 This report introduces the annual report and accounts of the Bromley Pension Fund for the year ended 31st March 2016, which the Council is required to publish under the Local Government Pension Scheme Regulations 2013. In accordance with the regulations, the annual report includes a number of stand-alone documents that require the approval of the Sub-Committee (the Governance Policy Statement – pages 29 to 30 of the Annual Report, the Funding Strategy Statement – pages 50 to 60, the Statement of Investment Principles – pages 61 to 68 and the Communications Policy Statement – pages 69 to 70). The annual report (attached at Appendix 1) has been audited by the Fund's external auditor, KPMG LLP and a statement from KPMG is included on page 37 of the Appendix. In accordance with the regulations, the Council will publish the Annual Report on its website by 1st December 2016.

2. RECOMMENDATIONS

2.1 The Sub-Committee is asked to:

(a) Note and approve the Pension Fund Annual Report 2015/16;

(b) Approve the Governance Policy Statement, Funding Strategy Statement, Statement of Investment Principles and Communications Policy Statement as outlined in para 3.2;

(c) Agree that arrangements be made to ensure publication by the statutory deadline of 1st December 2016.

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. Pension Fund audit fee £21,000 in 2015/16. Total administration cost £3.50m (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); £41.7m income (contributions, investment income, etc); £745.8m total fund market value at 31st 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 31st 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 The Pension Fund is required by the Local Government Pension Scheme Regulations 2013 to publish an Annual Report and Statement of Accounts. The Regulations set out what is to be included within the report and require the report to be published by 1st December. Furthermore, the Regulations require an administering authority to have regard to guidance given by the Secretary of State and the Fund has complied fully with the Regulations and guidance. The Annual Report for 2015/16 is attached at Appendix 1.

3.2 In accordance with the Regulations, the Annual Report includes four separate documents that require the approval of the Sub-Committee. These are:

- Governance Policy Statement (published in accordance with Regulation 55 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 29 to 30 of the Annual Report;
- Funding Strategy Statement (prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 50 to 60 of the Annual Report;
- Statement of Investment Principles (SIP) (produced in accordance with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009). This can be found on pages 61 to 68 of the Annual Report; and
- Communications Policy Statement (required by Regulation 61 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 69 to 70 of the Annual Report.

These statements were approved by the Sub-Committee on 23rd September 2015, and are kept under review in accordance with the Regulations. No changes are currently being proposed, and members are therefore requested to formally re-approve these statements.

3.3 The Bromley Pension Fund had total net assets of £748.0m as at 31st March 2016 (£745.4m as at 31st March 2015). The Fund Accounts and Net Assets Statement can be found on pages 35 to 48 of the Annual Report.

3.4 Fund performance was reported quarterly to the Sub-Committee during 2015/16 and the Fund underperformed against its benchmark by 0.4% over the year (+0.1% against a benchmark return of +0.5%). Performance compared to the local authority universe (average return of +0.2%) was fair and a ranking in the 39th percentile was achieved in the year (1% being the best and 100% being the worst). Details of investment policy and performance are set out on pages 12 to 17 of the Annual Report.

3.5 Total membership of the fund rose from 15,796 as at 31st March 2015 to 16,605 as at 31st March 2016, when it comprised 6,234 employees, 5,084 pensioners and 5,287 deferred members. Payments into the Fund from contributions (employee and employer), transfers in and investment income totalled £42.1m in 2015/16 (£40.7m in 2014/15) and payments from the Fund for pensions, lump sums, transfers out and administration totalled £35.1m (£35.5m in 2014/15). Details of this can be found in the Pension Fund Revenue Account statement on page 49 of the Annual Report.

3.6 The Annual Report and Accounts have been prepared in accordance with officers' understanding of the requirements of both the LGPS Regulations and the Secretary of State's guidance. The accounts have been audited by KPMG and were made available in draft form on the Council's website before the end of June 2016. At the time of writing KPMG anticipate

issuing an unqualified audit opinion on the financial statements of the Pension Fund and a statement to that effect can be found on page 37 of the Annual Report. The Annual Report has also been audited and is required to be published by 1st December.

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. Under the 2013 Regulations, an Annual Report is required to be published by 1st December.

5. FINANCIAL IMPLICATIONS

5.1 These are summarised in the body of the report and more details are provided in the relevant sections of the Annual Report. The fee for the separate audit of the Pension Fund Accounts and Annual Report was £21,000 in both 2015/16 and 2014/15 and this was charged to the Pension Fund Revenue Account.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	LGPS Regulations 2013; LGPS (Management and Investment of Funds) Regulations 2009; Pension Fund Performance Q4 2015/16 – Pensions Investment Sub-Committee, 19 th May 2016.