LONDON BOROUGH OF BROMLEY PENSION FUND

ANNUAL REPORT 2015/16

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FOREWORD

This Annual Report has been produced to keep pensioners and other interested stakeholders informed about the administration and performance of the London Borough of Bromley Pension Fund ("the Fund"). Regulation 34(3) of the Local Government Pension Scheme (Administration) Regulations 2008 and Regulation 57(3) of the Local Government Pension Scheme Regulations 2013 requires an administering authority to have regard to guidance given by the Secretary of State when preparing and publishing its Pension Fund Annual Report. Revised CIPFA guidance was issued by the Secretary of State on 18th August 2014 and this report complies with the regulations and with the CIPFA guidance and includes additional disclosures required therein.

The Local Government Pension Scheme (LGPS) was established to provide death and retirement benefits for all eligible employees, mainly local government staff. The LGPS is a funded final salary scheme, with earnings-banded fixed employee contribution rates and variable employer rates depending on the funding level assessed every three years by the Fund's actuary. Benefits are defined in law and inflation-proofed in line with increases in the Consumer Prices Index for September. The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not needed immediately.

The Council's Pension Fund is a funded defined benefit career average (final salary until 31st March 2014) statutory scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013. The Authority and employees pay contributions into the Fund, calculated at a level intended to ensure that pensions liabilities balance with investment assets over a period of time. The Fund provides benefits for members, including retirement pensions, lump sum retirement grants and widows' pensions.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009.
- The LGPS Regulations 2013 (effective from 1st April 2014).

Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1 April 2008:
- Pension: each year worked is worth 1/80 x final pensionable salary.
- Lump sum: automatic lump sum of 3/80 for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31 March 2008:
- Pension: each year worked is worth 1/60 x final pensionable salary.
- Lump sum: no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career-average scheme and pension benefits accrued from that date are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to 1/49 of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.
- Lump sum: no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later.

There is a range of other benefits provided under the scheme including, but not limited to, early retirement, disability/ ill-health retirement and death benefits.

The London Borough of Bromley is a designated administering authority and is responsible for the administration of the scheme for its employees (and certain admitted bodies), excluding teachers, who have their own specific scheme. The Council discharges this responsibility through the Pensions Investment Sub-Committee consisting of seven councillors appointed by the Council and one staff representative. The Pensions Investment Sub-Committee is primarily responsible for investment and monitoring matters and reports to the General Purposes and Licensing Committee, which has overall responsibility for the administration of the scheme.

The Pensions Investment Sub-Committee has delegated the management of the Fund's active investments to professional investment managers, whose activities are specified in detailed investment management agreements and whose performance is monitored quarterly. The investment managers of the Fund are appointed by the Sub-Committee and, as at 31 March 2016, comprise Baillie Gifford, Blackrock, Fidelity, MFS International and Standard Life. They are regulated by the Financial Conduct Authority (FCA). The Fund's investment managers are set individual performance targets marked against relevant market benchmarks.

2015/16 saw a drop from the good performance seen during 2014/15, both in terms of overall market returns and the specific Fund returns within that market, with the total fund value rising from £745.4m as at 1st April 2015 to £748.0m as at 31st March 2016. In 2015/16, the Fund underperformed the benchmark by 0.4% overall, achieving a return of +0.1% compared to the benchmark return of +0.5%. With regard to the local authority universe, the Fund's overall performance for the year was in the 39th percentile. Further details about the Fund's performance can be found on pages 13 to 17. Our investment policy is summarised on pages 12 to 13 and further details are set out in the Statement of Investment Principles on pages 61 - 68.

This Annual Report was reported to the meeting of the Pensions Investment Sub-Committee on 21st September 2016.

MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

The Fund

The London Borough of Bromley Pension Fund is part of the national Local Government Pension Scheme (LGPS), which is a statutory career average (final salary until 31st March 2014) scheme set up to provide pensions and retirement benefits for most local government employees including non-teaching staff in schools and for the employees of certain other bodies. It does not provide for teachers, who have a separate national scheme. Up to the local elections in May 2014, Councillors were eligible to join the scheme at the discretion of individual councils, although councillors' pensions were based on career average Members' allowances. Since May 2014, however, Councillors can no longer be active members of the scheme.

As well as for its own employees, the Fund provides for employees who transferred from the Council to Affinity Sutton (formerly Broomleigh Housing Association), Bromley Mytime, Liberata UK, Certitude and The Landscape Group. These bodies are permitted under the regulations to contribute to the Fund and are termed Admission Bodies. It also provides for non-teaching staff in the colleges of further education within the borough (Ravensbourne College and Bromley & Orpington College) and these are termed Scheduled Bodies. As at 31st March 2016, the Fund also provided for 76 school academies, which are also termed Scheduled Bodies. The Council is responsible for administering the Fund in accordance with various statutory regulations, the principal regulations being the Local Government Pension Scheme Regulations 2013. Day-to-day administration of the Fund, such as the collection of contributions and the payment of pensions, is contracted out to Liberata UK Ltd.

Fund management and advisers

Any decisions on discretionary matters, most of which are prescribed by the regulations, are either taken by officers under delegated authority (generally by the Director of Finance) or referred to the General Purposes and Licensing Committee. The Pensions Investment Sub-Committee oversees the investment of the Fund and has a general responsibility to monitor the Fund's financial position. The Governance Policy Statement (pages 29 – 30) sets out the responsibilities of the various parties involved in managing the Fund. Meetings are held quarterly and the Sub-Committee's membership for the year 1st April 2015 to 31st March 2016 comprised:

Councillor Teresa Te (Chairman), Councillor Keith Onslow (Vice-Chairman), Councillor Eric Bosshard, Councillor Richard Williams, Councillor David Livett, Councillor Russell Mellor, Glenn Kelly (Non-voting staff representative), Jane Harding (Local Pension Board member) and Brian Toms (Local Pension Board member).

Member attendance at Pensions Investment Sub-Committee meetings in 2015/16.

Councillor	19/05/2015	23/09/2015	18/11/2015	11/02/2016
Teresa Te (Chairman)	Y	Y	Y	Y
Keith Onslow (Vice-Chairman)	Y	Y	N	Y
Eric Bosshard	Y	Y	Y	Y
Simon Fawthrop	Y	Y	Y	Y
David Livett	Y	Y	Y	Y
Russell Mellor	Y	Y	Y	Y
Richard Williams	Y	N	Y	N

In 2015/16, the Council used the services of a number of professional advisers, including:

Scheme Actuary

Mercer LLP, Mercury Court, Tithebarn Street, Liverpool, L2 2QH

Scheme adviser

AllenbridgeEpic Investment Advisers Ltd, 26th Floor, 125 Old Broad Street, London, EC2N 1AR

Auditors

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Investment managers

Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN
Blackrock, Drapers Gardens, 12 Throgmorton Avenue, London, EC2N 2DL
Fidelity Investment Management Ltd, Beechgate, Millfield Lane, Lower Kingswood, Surrey, KT20 6RP
MFS International, Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB
Standard Life Investments, 1 George Street, Edinburgh, EH2 2LL

Legal adviser

Director of Corporate Services, Civic Centre, Stockwell Close, BR1 3UH

Administrator of scheme benefits

Liberata UK Ltd, PO Box 1598, Croydon, Surrey, CR0 0ZW

Custodians of scheme assets

Bank of New York Mellon, 160 Queen Victoria Street, London, EC4V 4LA

Banker

HSBC plc, 60 Queen Victoria Street, London, EC4N 4TR

Secretary to the trustees

Director of Corporate Services, LB Bromley

AVC providers

Aviva, Rose Lane Business Centre, PO Box 520, Norwich, NR1 3WG
Equitable Life, PO Box 177, Walton Street, Aylesbury, Bucks, HP21 7YH

Performance monitoring

WM Company, Deutsche Bank House, 525 Ferry Road, Edinburgh, EH5 2AW

Council officers

Peter Turner, Director of Finance
Martin Reeves, Principal Accountant

Local Pension Board

From April 2015, a new governance structure for the LGPS and other public sector pension schemes came into force, which, among other things, requires the administering authority to set up a Local Pension Board to assist in the management and administration of the LGPS. The Board had to be established by 1st April 2015 and is required to be operational by 1st August 2015. The Board's composition and terms of reference were approved by Council in February and its membership comprises two employer and two member representatives. Its main function is to assist the administering authority with the good governance of the scheme, ensuring the Fund's adherence to legislation, statutory codes of practice and guidance. The Board will meet annually and will submit an annual report on its work to the Council's Pensions Manager.

Risk Management

There are many factors that could have an adverse impact on achievement of the funding strategy and target funding levels. These can be categorised as administrative, management and investment risks. Some of the key potential risks are listed in a section of the Funding Strategy Statement (pages 55 - 56), together with comments on their materiality, on the procedures for monitoring them and on measures available to mitigate them. The risks listed there have been categorised in four main areas, i.e. financial, demographic, regulatory and governance risks.

The Pensions Investment Sub-Committee is responsible for the prudent and effective stewardship of the London Borough of Bromley Pension Fund. As part of this duty, the Sub-Committee oversees the monitoring and management of risk. The risk management process involves the identification, analysis, control and monitoring of risk. A key tool for the management of risk is the risk register. The register incorporates an assessment of likelihood and impact of risk events as well as control measures in place and an overall risk score. The risk register is kept under review by the Director of Finance and is presented to Members.

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

Management of Third Party Risk
The Fund's investment managers and its custodian issue annual internal control documents. These documents identify internal processes and procedures and details of the audit testing done on them during the year. These provide comfort to the Fund that risk management and control policies and procedures are in place within these organisations. The Director of Finance analyses and reconciles information provided by the custodian to that of the investment manager.

The Pensions Investment Sub-Committee receives quarterly performance reports in which manager performance is reviewed. Any issues arising out of these reviews are raised at the Sub-Committee meeting. The Fund's independent investment adviser monitors the market and the activities of investment managers and informs officers if there are any concerns such as key changes of staff.

Financial Performance
The Council prepares accounts as at 31st March each year, which comply with the CIPFA Code of Practice on local authority accounting 2015/16 and the provisions of Chapter 6, Section 5 "Accounting and Reporting by Pension Funds". The 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. In addition to the provision of retirement pensions, the benefits include lump sum retirement grants and widows' pensions.

Day-to-day income and expenditure into and out of the Fund are recorded in the Pension Fund Revenue Account, which showed an overall surplus of £7.0m in 2015/16, which mainly comprised investment income. The Fund's investment assets appear in the Council's Annual Statement of Accounts and the total value of the Fund's net assets increased in 2015/16 from £745.4m as at 1st April 2015 to £748.0m as at 31st March 2016. The Pension Fund Accounts and Net Assets Statement, together with supporting notes, are attached (pages 35 - 49).

Results of participation in National Fraud Initiative (NFI) exercises (data matches, overpayments identified, actions taken, etc).
As part of the National Fraud Initiative 2014 data matching exercise, the LB Bromley pension data was matched to other data such as the DWP deceased register and payroll data. No evidence of fraud was identified but there were 9 cases of overpayments in respect of pensioners who were deceased. The total amount involved was £3,353. The data matching exercise is run every two years; however, management has agreed to join the flexible data matching scheme offered by the National Fraud Team which matches pension data to the

latest DWP deceased register. This was recently matched and the results referred to the Pension Manager for investigation.

In 2015/16, an annual internal audit was completed and the report concluded controls were in place and working well in the areas of**:**

- Pension entry and opt outs are authorised appropriately
- Payments are made to the correct person according to source documentation
- Pension Retirement Grants are paid at the correct level and after the retirement date
- Payment of death grants are made accurately and promptly
- Life Certificates are regularly sent out and chased up to ensure payments are accurately made for pensioners abroad
- Regular reconciliations are undertaken between pensions and the ledger
- No issues were identified in system security

However,

- Examination of a sample of five transfers out identified two instances where transfer payments had not been processed in a timely manner.
- There was no evidence that a Business Plan for the Pension Services has been prepared by the Council for 2015-16 financial year.

As a result, a substantial assurance opinion was given.

Analysis of pension overpayments, recoveries and amounts written off.
During 2015/16 there were:-

- 58 overpayments to pensioners (41 in 2014/15)
- Total Sum £27,838.93 (one overpayment relates to £12,585.84 of this amount as the notification of death was not received until 2015/16) (£18,073.79 in 2014/15)
- Total Outstanding £18,518.86 of which £13,743.42 relates to three cases prior to February 2016, the remaining outstanding amount relates to death notifications only received from February 2016(£335.44 in 2014/15)
- There were no write-offs included in the amounts above (1 in 2014/15 totalling £188.07)

In addition to the above there were a further 21 overpayments below £50 (25 in 2014/15) and, in such cases, the Council's policy is not to pursue.

This is the 3rd year this information has been required and, in future years, data will be built up to enable a 5-year analysis to be provided.

Management Performance
Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Performance standards are used to monitor and improve performance. Performance is reported regularly to the Council and is published annually for the information of Scheme members.
Liberata's commitment to Scheme members is:

As administrators of the Bromley Fund, we aim to provide you with good quality service and to communicate effectively. Liberata aim to:

- *453 pieces of correspondence responded to in the last year, of which 99.42% were within the performance standard (99.81% in 2014/15)*

- Process each stage of a transfer of pension rights (to or from the Fund) within 10 days of receiving the required information
  91.16% of 95 transfer-in quotations (93.68% in 2014/15) and 94.13% of 86 transfer-out quotations (92.00% in 2014/15) issued within the performance standard

- Process retirement grants (lump sums) within 10 working days of retirement, provided that Liberata have all the necessary information
  98.50% of 256 retirement grants paid within the performance standard (99.00% in 2014/15)

- Issue a benefit statement annually to all active and deferred members
  Statements issued to all active and deferred members in July and August

- Advise pensioners in April of the annual increase to their local government pension
  Pensions increase letters issued to all pensioners in April

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Five-year analysis of the Fund's membership data

Status	**31/03/2016 No.**	**31/03/2015 No.**	**31/03/2014 No.**	**31/03/2013 No.**	**31/03/2012 No.**
Active Members	6,234	5,782	5,254	5,065	5,040
Pensioners - widow/dependant	711	700	706	705	705
- other	4,373	4,248	4,156	4,026	3,923
Deferred Pensioners	5,237	5,066	4,819	4,457	4,165
	16,605	15,796	14,935	14,253	13,833
Undecided Leavers	171	174	147	15	16
Frozen Refunds	657	632	610	608	603
Total Membership	17,433	16,602	15,692	14,876	14,452

Administration costs (including fund management fees) – budget v outturn

Actual costs of administering the Fund and its investments are compared to the original budget in the following table:

	2015/16 Budget £000	**2015/16 Actual £000**	**2014/15 Budget £000**	**2014/15 Actual £000**
Audit fee	21	21	20	21
Bank charges/transaction costs	40	164	30	40
Advice & other costs	126	111	120	90
Internal recharges	538	588	480	534
Total administration costs	725	884	650	685
Fund Management fees #	2,575	2,617	1,850	2,495
Total	3,300	3,501	2,500	3,180

Unit cost of administration per Fund member

	2015/16 £	**2014/15 £**	**2013/14 £**	**2012/13 £**	**2011/12 £**
Total administration costs (gross)	3,500,537	3,179,862	2,413,062	1,889,289	1,818,731
Fund Management fees	2,616,914	2,494,614	1,827,549	1,357,227	1,189,571
Total administration costs (net)	883,623	685,248	585,513	532,062	629,160

Cost per member:					
Net (excluding management fees)	£50.69	£41.28	£37.31	£35.77	£43.53
Gross (including management fees)	£200.80	£191.53	£153.78	£127.00	£125.85

Details of contributions received from each employer in the Fund.
A list of contributing employers and details of contributions received is given below. Summary details are provided in the notes to the Pension Fund Accounts (pages 39 and 42).

Contributions are required by statute to be paid into the Fund by the 19th day of the following month to that which they relate if paid by cheque or by 22nd if paid by bank transfer. The Pension Regulations allow the Council to charge interest on contributions that are not paid on time, but this power was not exercised in 2015/16.

	Contributions 2015/16		
Employer	**Employee**	**Employer**	**TOTAL**
	£	**£**	**£**
LB Bromley (inc. community schools)	3,560,949	8,727,369	12,288,317
Primary schools/academies			
Alexandra Infants	16,003	57,360	73,363
Alexandra Juniors	11,619	49,684	61,303
Castlecombe Primary	18,277	76,762	95,039
Balgowan Primary	32,184	136,096	168,281
Biggin Hill Primary	20,275	86,686	106,961
Burnt Ash Primary (academy from 01/02/16)	3,134	13,409	16,542
Chislehurst CE Primary	8,408	38,634	47,043
Crofton Infants	26,251	112,888	139,139
Crofton Juniors	25,336	107,187	132,523
Cudham CE Primary	7,747	33,609	41,355
Darrick Wood Infants	13,924	57,816	71,739
Farnborough	11,214	47,612	58,825
Grays Farm	25,192	120,298	145,490
Green Street Green Primary	28,180	115,909	144,089
Harris Crystal Palace	24,169	90,673	114,842
Harris Kent House	21,625	91,977	113,601
Harris Primary Academy Beckenham	1,562	4,095	5,657
Harris Shortlands Academy	3,096	6,197	9,292
Hawes Down Infants School	11,554	56,931	68,485
Hawes Down Junior School	12,667	54,566	67,233
Hayes Primary	36,148	151,485	187,634
Highfield Junior	10,474	43,979	54,453
Highfields Infants	11,025	44,338	55,363
Hillside Primary	21,841	92,772	114,613
Holy Innocents	9,474	39,516	48,991
Keston Primary	8,175	35,166	43,341
La Fontaine Academy	10,242	22,707	32,950
Leesons Primary	17,606	72,930	90,536
Manor Oak Primary	11,484	49,519	61,002
Marian Vian (academy from 01/09/15)	16,762	81,554	98,316
Mead Road (academy from 01/09/15)	4,815	20,101	24,916
Midfield Primary	30,779	132,089	162,868
Mottingham (academy from 01/09/15)	10,604	46,282	56,886
Oak Lodge (academy from 01/09/15)	14,696	74,960	89,656
Oaklands (academy from 01/09/15)	17,146	73,006	90,152
Parish Primary	30,645	110,053	140,698
Perry Hall	13,044	55,608	68,652

Employer	Contributions 2015/16 Employee £	Employer £	TOTAL £
Primary schools/academies cont.			
Pickhurst Infants	18,239	78,084	96,323
Pickhurst Juniors	16,314	64,938	81,252
Princes Plain Primary	60,817	252,016	312,833
Raglan Primary	24,929	105,469	130,398
Scotts Park Primary	18,717	81,319	100,036
St James RC School	6,821	28,517	35,338
St Johns Primary	17,094	72,362	89,456
St Josephs Primary	7,363	31,706	39,068
St Marks CE Primary	23,383	101,829	125,211
St Mary Cray	18,310	77,778	96,088
St Mary's RC Primary	24,030	64,437	88,467
St Peter & St Paul Primary	13,051	56,269	69,320
St Philomenas Primary	11,859	58,763	70,622
St Vincent	11,544	52,074	63,618
Stewart Fleming Primary	21,014	90,162	111,176
Tubbenden Primary	32,378	137,941	170,319
Unicorn (academy from 01/09/15)	13,325	56,028	69,353
Valley	30,907	123,193	154,100
Warren Road	36,377	149,283	185,659
Wickham Common (academy from 01/09/15)	9,701	41,257	50,958
Worsley Bridge Juniors (academy from 01/01/16)	2,107	9,236	11,343
Secondary Schools			
Beaverwood	49,958	189,578	239,536
Bishop Justus	71,242	279,313	350,554
Bullers Wood Girl	55,429	219,555	274,984
Charles Darwin	55,856	196,998	252,854
Coopers	69,636	265,824	335,460
Darrick Wood	67,426	274,919	342,345
Hayes	66,343	274,531	340,874
Harris Academy Beckenham	38,696	154,069	192,766
Harris Academy Bromley	37,244	143,357	180,601
Kemnal Technology College	82,060	306,969	389,029
Langley Park Boys	62,994	246,600	309,594
Langley Park Girls	49,164	215,053	264,217
Newstead Wood	39,340	156,957	196,296
Ravens Wood	57,637	224,001	281,638
Ravensbourne	60,334	235,162	295,497
St. Olaves	35,570	135,834	171,404
The Priory	78,944	298,706	377,650
Special/AP Schools			
Bromley Beacon Academy (academy from 01/0	1,452	5,715	7,166
Harris Aspire	8,461	32,968	41,429
The Bromley Trust Academy	13,521	59,752	73,273
The Glebe	39,806	161,710	201,516
Other Bodies			
Bromley College	299,055	874,800	1,173,855
Bromley My Time	6,688	20,266	26,954
Broomleigh	0	104,700	104,700
Certitude	45,517	141,724	187,241
Churchill Cleaning	787	0	787
Liberata	94,333	309,424	403,757
Ravensbourne College	195,322	634,247	829,569
The Landscape Group	24,706	66,541	91,247
	1,707,519	**6,229,274**	**7,936,793**

INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Principles

In accordance with the requirements of regulation 12 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the Regulations"), as amended, the Council has produced a Statement of Investment Principles (SIP). The SIP for 2015/16 was approved by the Pensions Investment Sub-Committee on 21st September 2016. This is published on the Council's website (see pages 61 - 68).

Investment Managers

Investment of the Fund is governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which define the categories of investments that may be used and set various limits to prevent over-concentration in single asset types or single investments. In practice, investment in all the principal classes of assets is permitted. Most of the Pensions Investment Sub-Committee's work relates to the monitoring of investment performance, which can have a critical impact on the value of the Fund's assets.

The Council currently employs five investment managers:

- Baillie Gifford & Company (initially appointed in December 1999 and still running a fixed income mandate as well as a Diversified Growth Fund (DGF) mandate from December 2012 and a global equities mandate from December 2013);
- Blackrock (appointed from December 2013 to manage a global equities mandate);
- Fidelity Pensions Management (originally appointed in April 1998, but now only running a fixed income mandate);
- MFS International (appointed from December 2013 to manage a global equities mandate); and
- Standard Life Investments (appointed to run a DGF mandate from December 2012).

It also employs an independent custodian, the Bank of New York Mellon, to hold the Fund's investments and perform related functions such as the collection of investment income and operation of bank accounts in various currencies. The Pensions Investment Sub-Committee is responsible for all these appointments.

The regulations require the performance of the investment managers to be reviewed at least once every three months. Quarterly meetings of the Sub-Committee are held for this purpose and each manager submits a report on his activities in the previous quarter. The Fund managers attend meetings as requested to present and discuss reports on performance. The Director of Finance presents a separate report on investment performance to each meeting, based on data prepared by the independent WM Company and including comments from the Fund's external advisers, AllenbridgeEpic.

The investment managers have to operate within the investment powers set out in the regulations and in accordance with their benchmarks. These determine the broad allocation of investments over different asset classes and the extent to which they can diverge from that allocation. Details are included in the Fund's Statement of Investment Principles (pages 61 - 68). The Pensions Investment Sub-Committee is responsible for determining and reviewing the asset allocation strategy of the Fund and this is reviewed on a regular basis. The asset allocation strategy agreed in 2006 (two balanced portfolios managed by Fidelity and Baillie Gifford with benchmarks based on a broad 80:20 ratio of equities to bonds) remained in place until the comprehensive strategy review that took place during 2011/12 (see below).

The regulations also require the authority to review periodically whether to retain their managers. The section on investment performance on pages 13 - 17 shows that the Fund has done very well in comparison with other local authority funds over all measured periods (out to 10 years), as a result of which, prior to 2011/12, it had been concluded that there was no reason to seek to terminate either of the current agreements. However, following relatively poor performance in 2011/12, a comprehensive strategy review was carried out, which concluded that, in view of ongoing world market problems, a change of direction was required. Consequently, 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 involved the elimination of our previous arbitrary regional weightings, which now provides 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. The first phase of the new strategy (an allocation of £50m (10% of the total Fund value at that time) to two Diversified Growth Fund (DGF) managers, Baillie Gifford and Standard Life) was implemented in December 2012. Phase 2 (the award of three separate global equities mandates – 70% (£440m) of the total Fund value at that time – to Baillie Gifford, Blackrock and MFS International) was implemented in December 2013. Phase 3 (the award of two separate fixed income mandates – 20% of the total Fund value) was implemented during 2015/16.

Fees paid to the investment managers are charged to the Fund. In 2015/16, these were calculated on the following bases:

Baillie Gifford (global equities*) - Base fee (quarterly) 01/04/15 to 31/12/15 0.55% of first £30m of Fund value (increased to 0.65% from 01/01/16), 0.45% of next £30m (increased to 0.50% from 01/01/16) and 0.35% of remainder (unchanged from 01/01/15).
Baillie Gifford (fixed income) - Base fee (quarterly) 0.25% of total Fund value.
Baillie Gifford (DGF*) - Base fee (quarterly) 0.65% of first £30m, 0.50% on the next £90m and 0.45% thereafter.
* Ballie Gifford global equities and DGF values are aggregated for fee calculations
Blackrock (global equities) - Base fee (quarterly) 0.30% of total Fund value.
Fidelity (fixed income) - Base fee (quarterly) 0.35% of first £10m of Fund value, 0.30% of next £10m, 0.21% of next £30m and 0.18% of remainder.
MFS (global equities) - Base fee (quarterly) 0.60% of first £25m of Fund value, 0.45% of next £25m and 0.40% of remainder.
Standard Life (DGF) – Base fee (quarterly) 0.70% of total Fund value.

Review of Investment Performance
The WM Company provides an independent performance measurement service for the Fund and attends the Pensions Investment Sub-Committee once a year to present an annual report.

Performance data for 2015/16

Fund Value

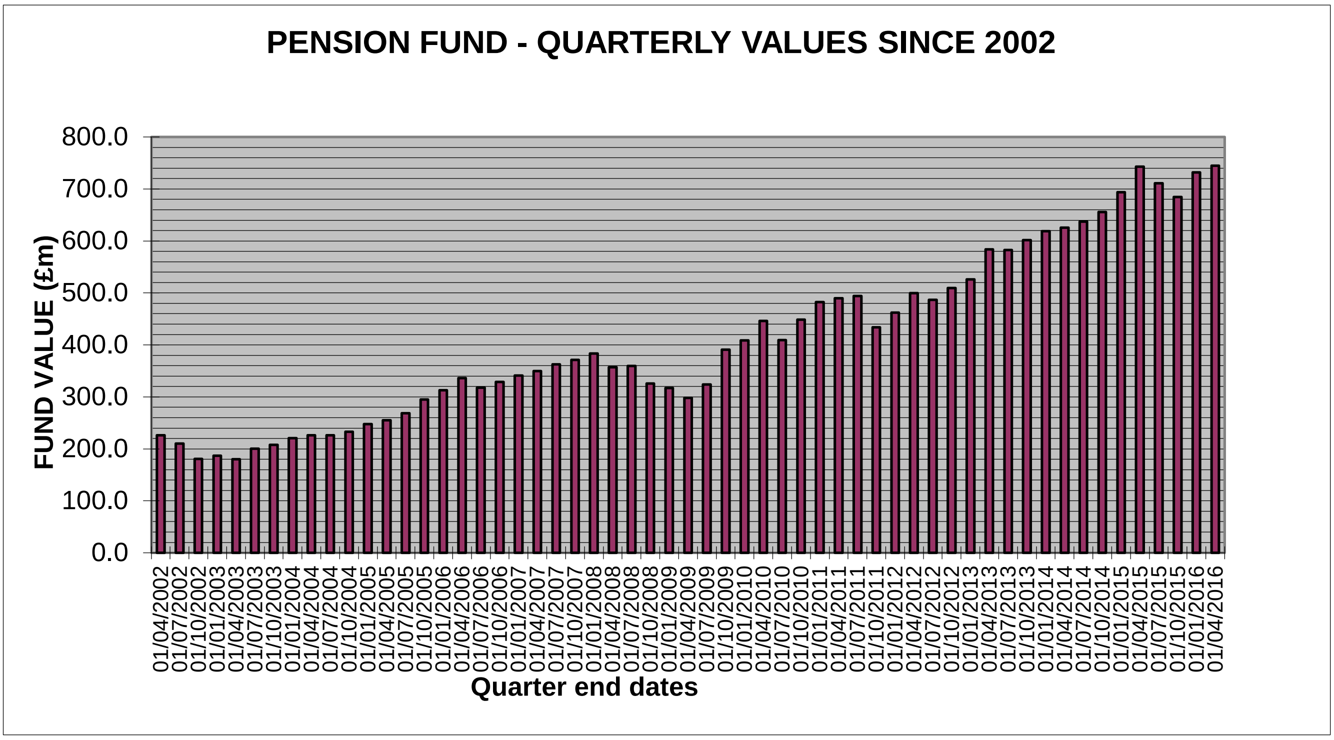
The total market value of the Fund has fluctuated considerably in the last few years. Since 2002, however, increases in the good years (most notably 2005/06, 2009/10, 2012/13 and

2014/15) have far exceeded decreases in the bad years (2002/03 and 2008/09). As a result, the total value of Fund investments has increased from £180.3m as at 31st March 2003 to £748.0m as at 31st March 2016. In 2015/16, the value rose by 0.3% from £745.4m to £748.0m.

MOVEMENTS IN PENSION FUND MARKET VALUE (NET ASSETS) 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	126.6		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
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
31/03/2016		44.8	51.8	247.9	344.5		67.4	67.4	145.5	159.2	28.3		744.9

£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.



Investment Performance

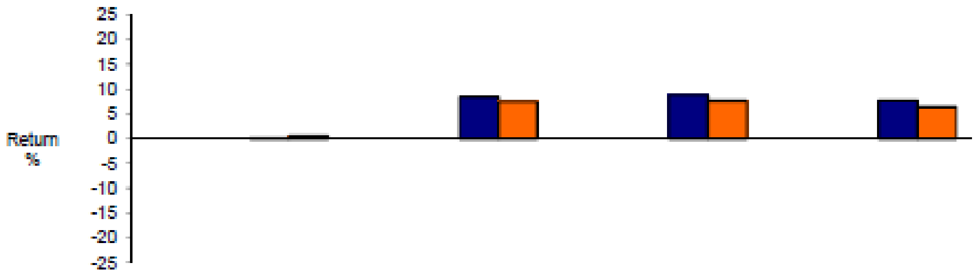
The Fund's medium and long-term returns have remained very strong, although the overall return of +0.1% for 2015/16 was down against the benchmark return of +0.5% (ranking in the 39th percentile (the lowest rank being 100%)). In 2014/15, the fund returned +18.5% compared to the benchmark return of +16.4% (overall ranking in the 5th percentile). For comparison, the rankings in recent 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.

Since the implementation of Phase 2 (global equities) of the revised Investment Strategy in December 2013, the Fund has employed a total of five managers, all of which are measured against specific benchmarks and are given specific performance objectives, as follows:

> Global equities – Baillie Gifford, Blackrock and MFS are all required to outperform the MSCI All Countries World Index.
>
> Fixed income – Baillie Gifford are required to outperform 50% FTSE UK Gilts All Stocks/50% BAML Sterling Non-Gilts Index; Fidelity are required to outperform 50% iBoxx Gilts/50% iBoxx non-Gilts.
>
> DGF – Baillie Gifford are required to achieve Base Rate + 3.5%; Standard Life are required to achieve 6 month Libor + 5%.

The WM Company measures their results against these benchmarks instead of against its local authority indices and averages. At total Fund level, however, it continues to use the local authority indices and averages and 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 following tables show total Fund performance and the performance returns of the individual managers in periods ended 31st March 2016.

Fund Returns



	12 Months	3 Years % pa	5 Years % pa	10 Years % pa
Fund	0.1	8.4	8.8	7.7
Benchmark	0.5	7.5	7.6	6.4
Relative Return	-0.5	0.9	1.1	1.2

The graphs show the performance of the Fund and Benchmark over the latest period and longer term.

The relative return is the degree by which the Fund has out or underperformed the Benchmark over these periods

Summary of Manager Performance - Rates of Return

LONDON BOROUGH OF BROMLEY SUPN. - TOTAL COMBINED

Periods to end March 2016
Pound Sterling

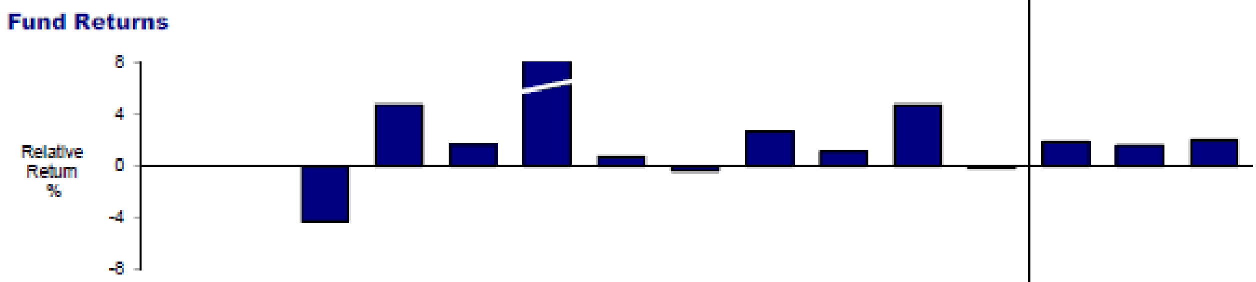
	Mkt Val (GBP 1000)	% of Fund	Latest Quarter	12 Months	3 Years	5 Years	10 Years	Since Inception	Incept. Date
Equity - World									
BAILLIE GIFFORD & CO	247,993	33.3	0.3	-0.3	8.8	9.1	8.0	6.8	30/11/1999
LB OF BROMLEY BGIFFORD BM			2.9	-0.6	7.6	7.7	6.5	5.9	
			-2.5	0.3	1.1	1.4	1.3	0.9	
BLACKROCK	145,887	19.6	1.7	-3.7				8.8	17/12/2013
MSCI AC WORLD GDR			2.9	-0.6				8.8	
			-1.2	-3.0				0.0	
MFS	159,239	21.4	5.1	5.3				13.1	18/12/2013
MSCI AC WORLD NDR			2.8	-1.2				8.1	
			2.2	6.5				4.6	
Bonds - Sterling									
FIDELITY INVESTMENT SERVICES LIMITED	67,452	9.0	3.6	1.4	7.8	8.5	7.6	6.8	30/4/1998
LB OF BROMLEY FIDELITY BM			4.2	1.9	6.8	7.6	6.1	6.0	
			-0.6	-0.4	0.9	0.9	1.4	0.7	
BAILLIE GIFFORD & CO	51,849	7.0	3.5	0.2				6.9	9/12/2013
LB of Bromley B Gifford Fixed Interest Benchma			4.5	1.8				7.4	
			-1.0	-1.5				-0.4	
Structured Products									
BAILLIE GIFFORD & CO	44,802	6.0	-0.2	-1.5	2.5			4.1	6/12/2012
BANK OF ENGLAND BASE RATE + 3.5%			1.0	4.0	4.0			4.0	
			-1.2	-5.2	-1.5			0.1	
STANDARD LIFE	28,319	3.8	-3.3	-4.6	2.8			3.8	7/12/2012
GBP 6 MONTH LIBOR + 5%			1.4	5.6	5.6			5.6	
			-4.6	-9.6	-2.7			-1.7	
TOTAL FUND									
TOTAL COMBINED	745,539	100.0	1.9	0.1	8.4	8.8	7.7	9.3	31/12/1990
LB OF BROMLEY STRATEGIC BENCHMARK			3.0	0.5	7.5	7.6	6.4	8.9	
			-1.1	-0.5	0.9	1.1	1.2	0.4	

Medium and long-term performance data

As is shown in the table above, the Fund's medium and long-term returns have remained very strong. Long-term rankings to 31st March 2016 were in the 6th percentile for three and five years and in the 4th percentile for ten years, all of which were very good and underlined the fact that the Fund's performance has been consistently strong over a long period. Whole Fund returns and rankings for individual years are shown in the following table:

Year	Whole Fund Return	Benchmark Return	Local Authority average	Whole Fund Ranking
	%	%	%	
2015/16	0.1	0.5	n/a	39
2014/15	18.5	16.4	13.2	5
2013/14	7.6	6.1	6.4	29
2012/13	16.8	14.0	13.8	4
3 year ave to 31/3/16	***8.4***	***7.5***	***n/a***	***6***
2012/13	14.2	12.1	11.0	2
2011/12	2.2	2.0	2.6	74
2010/11	9.0	8.0	8.2	22
5 year ave to 31/3/16	***8.8***	***7.6***	***n/a***	***6***
2010/11	10.7	9.2	8.7	7
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 31/3/16	***7.7***	***6.4***	***n/a***	***4***

The graph below shows total Fund performance to 31st March 2016 over 1, 3, 5 and 10 years compared to the local authority universe.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yrs % pa	5yrs % pa	10yrs % pa
Fund	2.4	1.8	-18.6	48.7	9.0	2.2	16.8	7.6	18.5	0.1	8.4	8.8	7.7
Benchmark	7.0	-2.8	-19.9	35.2	8.2	2.6	13.8	6.4	13.2	0.2	6.4	7.1	5.6
Relative	-4.3	4.7	1.6	9.9	0.7	-0.4	2.7	1.1	4.7	-0.1	1.9	1.6	2.0
Ranking	(100)	(5)	(33)	(2)	(22)	(74)	(4)	(29)	(5)	(39)	(6)	(6)	(4)

Custodial arrangements

The Fund uses the Bank of New York (BNY) Mellon as custodian of the cash and securities deposited for safe custody, including stocks, shares, bonds, notes, coupons, certificates of deposit or commercial paper, whether in certificated, uncertificated, registered or bearer form. BNY also effect settlements and other transfers and arranges for the collection of dividends and other receipts.

FUND ADMINISTRATION REPORT

Pension Fund Governance Policy and Compliance Statement

In accordance with regulation 73A of the Local Government Pension Scheme Regulations 1997, the Council has produced a Pension Fund Governance Policy Statement. This is attached at pages 29 – 30. In June 2007, the regulations were amended to require administering authorities to report the extent of compliance against a set of best practice principles published by the government. This Governance Compliance Statement was reported to the General Purposes and Licensing Committee in July 2008 and is attached at pages 31 - 34.

Fund Administration

Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Details of their performance against standards are shown in the Management and Financial Report above.

Details of administration costs, including investment management fees, adviser fees and fees paid to Liberata are shown on pages 9 and 10 and in the supporting notes to the Pension Fund accounts (page 43).

Liberata UK Ltd

As administrators of the Fund, Liberata aim to provide Members with good quality service and to communicate effectively. They undertake the administration of the LGPS Regulations and associated legislation for over 15,000 Fund members, including LB Bromley staff, non-teaching staff employed by LB Bromley, Affinity Sutton (formerly Broomleigh Housing Association), Bromley MyTime, Liberata UK, Landscape Group, Certitude, Bromley & Lewisham MIND, the Council's colleges (Bromley & Orpington and Ravensbourne), academies and elected Members of the Council.

Administrator functions include:

- Provision of retirement benefits, life cover and dependants' benefits for current and former staff and their dependants.
- Maintenance of member pension records via interface from the Council payroll.
- Implementation of changes in the regulations affecting benefit (or potential benefit) entitlements and keeping members informed of their options.
- Provision of illustrations for transfer of members' previous pension benefits into the Fund and, where appropriate, affecting the transfer.
- Provision, on request, of illustrations of the benefits of paying additional contributions.
- Provision of details of preserved entitlements for early leavers and transfers out and payment as necessary.
- Provision of forecasts of redundancy and early retirement benefits and payment as necessary.
- Calculation and recovery of employer costs associated with the capital impact on the Fund of early payment of benefits – including one-off payments.
- Operation of special provisions of the LGPS relating to elected Members who have opted to join the Fund.
- Provision of data to the Council's actuary for the annual IAS19 exercise and for triennial full valuations of the Fund.
- Submission of statutory returns to government bodies as required.
- Maintenance of Pensions IT system, with updated versions and revisions to tables as advised by the actuary or the Government's Actuary Department.

- Advice and assistance on pension issues where members' employment is being transferred to a contractor under TUPE. Arranging terms for admission agreements to the Fund for new employers.

Key activity in 2015/16 included:

- Production of the academy conversion data for the Actuary, to enable them to calculate the pension deficit for the 16 Schools that have converted to academy status within 2015/16.
- The provision of data to the Actuary for a number of possible outsourcing contracts and admitted body membership.
- Notification to all scheme members of the cessation of contracting out.
- Data cleansing for the forthcoming triennial valuation in 2016/17.
- Reconciliation of all transfer in/out payments and retirement grants and death grants for 2014/15 completed.

Enquiries and Complaints

In order to protect Members' interests, the Council is required by the LGPS regulations to set up a two-stage appeal procedure. Full details of these can be obtained from the Liberata Pensions Team (contact details shown below). In addition to the internal dispute process, Members also have access to a number of external advisers or regulators who are there to assist with pension matters.

Contacts for further information

Liberata UK Ltd, PO Box 1598, Croydon, Surrey, CR0 0ZW	Tel: 020 8603 3429 E-mail: pensions@bromley.gov.uk Website: www.liberata.com
London Borough of Bromley, Director of Finance, Civic Centre, Stockwell Close, Bromley, Kent, BR1 3UH	Tel: 020 8464 3333 Website: www.bromley.gov.uk

Pension Tracing Service (for ex-members no longer in touch with former employers)

The Pension Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU	Tel: 0345 600 2537

The Pensions Advisory Service (if problems can not be resolved with pension schemes)

11 Belgrave Road, London, SW1V 1RB	Tel: 0345 601 2923 Website: www.pensionadvisoryservice.org.uk

Pensions Ombudsman

Tel: 020 7630 2200	Website: www.pensions-ombudsman.org.uk

Self-Service Pensions
Members of the Fund can access their own pension records online, through the Altair Member Self Service (MSS). This service allows Members to view their own records and carry out their own pension benefits calculations, including deferred benefits, pension predictions, lump sum commutation options and redundancy estimates. Members also have the option of updating their Expression of Wish records (by downloading and submitting a signed form) and personal details such as change of address or name. An activation key to access the Altair Member Self Service function can be requested by accessing https://bromleypensionsonline.bromley.gov.uk and a key and details of how to use MSS will be sent direct to the member.

The Fund's Internal Dispute Resolution Procedure.
Members are initially encouraged to contact Liberata UK if they are not sure which benefits they are entitled to or if they have a problem with their benefits. Many problems are resolved informally in this way before they escalate.

If, however, Members are not satisfied with anything relating to their membership of the Fund, their pension benefits or decisions taken that affect them (or their dependants), they have the right to ask for a review under the formal complaint procedure. This procedure is called the Internal Dispute Resolution Procedure (IDRP).

The IDRP has two stages:
Stage 1: the complaint should be made formally, in writing, within 6 months of the date of notification of the decision against which the member wishes to complain. A person nominated by the employer will review the decision and inform the complainant in writing within 3 months of the date on which the complaint was logged.
Stage 2: the member can ask for a 2nd look at the complaint (by a person not involved in the 1st stage decision) if he/she is not satisfied with the 1st stage decision or if the 1st stage decision has not been made within 3 months of the date on which it was logged.

If the complainant is still unhappy with the decision after the 2nd stage, he/she can take the case to the Pensions Ombudsman, provided this is within 3 years of the original decision or problem.

There were no formal complaints raised through the IDRP in 2015/16.

Membership of Bodies
The Fund is a member of the following bodies:

Local Government Pensions Committee – provides technical advice, guides, communications and training on the Local Government Pension Scheme.

Pensions and Lifetime Savings Association (previously National Association of Pension Funds) – the voice of workplace pensions in the UK. Spreads best practice among members, challenges regulation and promotes policies that add value. Also provides technical advice, guides, communications and training.

ACTUARIAL REPORT

The regulations require an actuarial valuation of the Fund's assets and liabilities every three years and the Pensions Investment Sub-Committee is responsible for considering the actuary's report. In the report on the most recent valuation as at 31st March 2013, the Fund's actuary, Mercer Ltd, determined the level of employers' contributions for the three years 2014/15 to 2016/17. Employers' contributions have to provide both for the ongoing cost of pensions in respect of employees' future service and for the eventual elimination of the shortfall in respect of past service. Contribution rates for the years 2011/12 to 2013/14 were set by the Council's previous actuary, Barnett Waddingham, in the 2010 valuation. The next full valuation of the Fund (as at 31st March 2016) will be carried out during 2016/17.

In the 2013 valuation, the actuary found that the value of the Fund's assets represented 82% of the value of its liabilities, down from 84% in 2010. The actuarially assessed position at 31 March 2013 is summarised in the table below.

Valuation	**31 March 2010**	**31 March 2013**	**% change**
	£m	£m	%
Liabilities	511	712	+39.3
Assets	429	584	+36.1
Shortfall	82	128	+56.1
Funding level	84%	82%	-2.0

The key actuarial assumptions as at 31st March 2010 and 2013 are shown below:

Financial Assumptions	**2010**	**2013**
Future investment returns	**% p.a.**	**% p.a.**
Discount Rate (future service)	7.2	5.6
Pay increases – long term	5.0	4.1
Pay increases – short term (3 years)	n/a	1.0
General inflation	3.5	2.6
Pension increases	3.0	2.6

In the 2010 Valuation, the employer contribution rate in respect of future service with effect from 1st April 2011 to 31st March 2014 was set at 14.7% for all London Borough of Bromley employees. The 2013 Valuation increased this to 15.3% for the three years 1st April 2014 to 31st March 2017. In addition to contributions in respect of Fund members, the Council is also required to make contributions to eliminate the Fund deficit. These were fixed in the 2010 valuation at £5.5m in 2011/12, £5.8m in 2012/13 and £6.1m in 2013/14 with the aim of recovering the deficit over a period of 12 years. The 2013 Valuation set these at £5.9m per annum in 2014/15, 2015/16 and 2016/17 with the aim of recovering the deficit over a period of 15 years.

The 2013 valuation report also contained contribution rates for the other employers in the Fund, including Bromley & Orpington and Ravensbourne Colleges, Affinity Sutton (Broomleigh Housing Association), Liberata UK and Bromley MyTime, as well as for schools. Separate contribution rates were also set for those schools that had adopted academy status. A deficit recovery period of no more than 15 years was set for all these employers, in line with the period set for the Council. The Contribution Schedule set by the actuary is shown on pages 26 - 28.

The Fund income from employer contributions by the Council has increased steadily over the years, principally because there has been a funding shortfall in the Fund since the early nineties. Since then, a programme of annual increases in employer contributions has been implemented with the aim of eliminating the shortfall over an extended period. For a variety of reasons, however, the shortfall has persisted and, in common with all defined benefit schemes, both public and private, there has been a sharp deterioration since the turn of the century as the result of adverse market conditions and improved longevity. The Fund's current strategy is to achieve a funding level of 100% by 2028, but this will be reassessed in the next full valuation (as at 31st March 2016), the results of which will be known towards the end of 2016/17.

The latest Fund valuation report (as at 31st March 2013) can be found at http://www.bromley.gov.uk/downloads/file/2097/pension_fund_actuarial_valuation_report_31_march_2013. No interim valuations were carried out between that date and the previous full valuation as at 31st March 2010.

The actuary's Summary Funding Statement and Rates and Adjustments certificate are attached at pages 23 - 24 and 25 - 28 respectively.

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2013 – PAST SERVICE FUNDING POSITION
(Sections 2.1, 2.2 and 2.3 of the Funding Report of the Actuarial Valuation as at 31 March 2013)

Section 2. Key results of the funding assessment

2.1 Past service funding position

The table below compares the assets and liabilities of the Fund at 31 March 2013. Figures are also shown for the last valuation as at 31 March 2010 for comparison.

	£m	
	31 March 2013	**31 March 2010**
Total assets	584	429*
Liabilities:		
Active members	237	195
Deferred pensioners	131	70
Pensioners	344	246
Total liabilities	712	511
Past service surplus / (shortfall)	(128)	(81)
Funding level	82%	84%

*smoothed asset value at 31 March 2010

The table shows that at 31 March 2013 there was a shortfall of £128m. An alternative way of expressing the position is that the Fund's assets were sufficient to cover 82% of its liabilities – this percentage is known as the funding level of the Fund.

At the previous valuation at 31 March 2010 the shortfall was £81m, equivalent to a funding level of 84%.

The liability value at 31 March 2013 shown in the table is known as the Fund's "funding target". The funding target is calculated using assumptions that the Administering Authority has determined are appropriate, having consulted with the actuary, and are also set out in the Administering Authority's Funding Strategy Statement (FSS).

2.2 Normal Contribution Rate

The valuation looks at the normal employer contribution rate required to cover the cost of the benefits (including death benefits and expenses) that will be built up over the year after the valuation date (the "Common Contribution Rate"). The table below gives a breakdown of the Common Contribution Rate at 31 March 2013 and also shows the corresponding rate at 31 March 2010 for comparison.

	% of pensionable pay	
	31 March 2013	**31 March 2010**
Normal contribution rate for retirement and death benefits	21.2	21.3
Allowance for administrative expenses	0.7	0.0
Total normal contribution rate	21.9	21.3
Average member contribution rate	6.6	6.6
Common Contribution rate	15.3	14.7

The benefits earned under the LGPS changed with effect from 1 April 2014, and the Common Contribution Rate at 31 March 2013 allowed for these changes.
Active members pay contributions to the Fund as a condition of membership in line with the rates required under the governing Regulations.

2.3 Correcting the shortfall

The funding objective as set out in the FSS is to achieve and maintain a funding level of 100% of liabilities (the Funding Target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The maximum deficit recovery period for the Fund has been set as 15 years.

In practice, each employer's position is assessed separately. The Schedule to the Rates and Adjustments Certificate (see pages 26 - 28) sets out the contributions for each employer over the three year period to 31 March 2017. The individual rates take into account the differing circumstances of each employer or employer group and the funding plan, as laid down in the FSS. Contribution requirements for the period from 1 April 2017 onwards will be revised as part of the next actuarial valuation as at 31 March 2016 and will be confirmed in the Rates and Adjustments Certificate and Schedule accompanying that valuation report.

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2013 – RATES AND ADJUSTMENTS CERTIFICATE ISSUED IN ACCORDANCE WITH REGULATION 36 OF THE ADMINISTRATION REGULATIONS
(Appendix G of the Funding Report of the Actuarial Valuation as at 31 March 2013)

Primary Contribution Requirements

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2014 should be at the rate of 15.3 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2014, as set out above, should be individually adjusted as set out in the attached schedule. Contributions will be payable monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in the schedule or in a separate agreement with an individual employer, and the contributions in the attached schedule take account of any such agreements.

Further Adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of zero.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

Regulation 36(8)
No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
31st March 2014

Schedule to the Rates and Adjustment Certificate dated 31 March 2014

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
London Borough of Bromley (Council only)	*£5,899,800*	*15.3% plus £5,899,800*	*£5,899,800*	*15.3% plus £5,899,800*	*£5,899,800*	*15.3% plus £5,899,800*
London Borough of Bromley (Schools only)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Bromley College and Orpington College	*4.0%*	*19.3%*	*4.0%*	*19.3%*	*4.0%*	*19.3%*
Affinity Sutton	*£100,600*	*£100,600*	*£104,700*	*£104,700*	*£109,000*	*£109,000*
Ravensbourne College	*7.8%*	*23.1%*	*7.8%*	*23.1%*	*7.8%*	*23.1%*
St Olave's School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Bromley Mytime	*4.0%*	*19.3%*	*4.0%*	*19.3%*	*4.0%*	*19.3%*
Liberata UK Ltd	*4.4%*	*19.7%*	*4.4%*	*19.7%*	*4.4%*	*19.7%*
Kemnal Technology College	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Darrick Wood Secondary	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Beaverwood School	*9.4%*	*24.7%*	*9.4%*	*24.7%*	*9.4%*	*24.7%*
Bishop Justus	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Coopers Technology College	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Bullers Wood School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Charles Darwin School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Hayes Secondary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Langley Park Boys School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Newstead Wood School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Ravens Wood School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Ravensbourne School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Langley Park Girls School	*11.4%*	*26.7%*	*11.4%*	*26.7%*	*11.4%*	*26.7%*
Hayes Primary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Warren Road Primary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Balgowan Primary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Biggin Hill Primary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Darrick Wood Infant School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Green Street Green Primary	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
Pickhurst Infant School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Pickhurst Junior School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Stewart Fleming School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Valley Primary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Crofton Junior School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Harris Academy Bromley	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Harris Academy Beckenham	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Tubbenden Primary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
St. James' RC	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
The Priory	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Hillside Primary School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Crofton Infants School	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Highfield Infants' School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Alexandra Junior School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Parish C of E Primary School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Raglan Primary School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Harris Academy Crystal Palace (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Highfield Junior School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Harris Academy Kent House (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Farnborough Primary School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Perry Hall Primary School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Manor Oak Primary School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Alexandra Infants School (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Castlecombe Primary (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
St John's Academy (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Scott's Park Primary (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Keston Primary (see note 2)	*9.0%*	*24.3%*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Churchill Cleaning Services (Harris Academy Bromley) (see note 2)	*8.9%*	*24.2%*	*8.9%*	*24.2%*	*8.9%*	*24.2%*
Churchill Cleaning Services (Harris Academy Beckenham) (see note 2)	*7.8%*	*23.1%*	*7.8%*	*23.1%*	*7.8%*	*23.1%*

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
Birkin Services (Bullers Wood School) (see note 2)	*8.7%*	*24.0%*	*8.7%*	*24.0%*	*8.7%*	*24.0%*
Certitude (see note 2)	*n/a*	*n/a*	*5.1%*	*20.4%*	*5.1%*	*20.4%*
The Landscape Group (see note 2)	*n/a*	*n/a*	*4.3%*	*19.6%*	*4.3%*	*19.6%*
Burnt Ash Primary (see note 2)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Cudham CE Primary (see note 2)	*n/a*	*n/a*	*9.7%*	*25.0%*	*9.7%*	*25.0%*
Hawes Down Infants (see note 2)	*n/a*	*n/a*	*13.0%*	*28.3%*	*13.0%*	*28.3%*
Hawes Down Junior (see note 2)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Holy Innocents RC Primary (see note 2 & 3)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Marian Vian Primary (see note 2)	*n/a*	*n/a*	*13.3%*	*28.6%*	*13.3%*	*28.6%*
Mead Road Infants (see note 2)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Mottingham Primary (see note 2)	*n/a*	*n/a*	*10.3%*	*25.6%*	*10.3%*	*25.6%*
Oaklands Primary (see note 2)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Oak Lodge Primary (see note 2)	*n/a*	*n/a*	*14.1%*	*29.4%*	*14.1%*	*29.4%*
Unicorn Primary (see note 2)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Wickham Common Primary (see note 2)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Worsley Bridge Primary (see note 2)	*n/a*	*n/a*	*9.0%*	*24.3%*	*9.0%*	*24.3%*
Bromley Beacon Academy (see note 2)	*n/a*	*n/a*	*14.4%*	*29.7%*	*14.4%*	*29.7%*

Notes:

1. The percentages shown are percentages of pensionable pay and apply to all members.
2. These employers were admitted to the Fund after 31 March 2013.
3. Assumed rate. Valuation not complete at date of writing (July 2016).

LONDON BOROUGH OF BROMLEY PENSION FUND
GOVERNANCE POLICY STATEMENT

1. This statement has been published in accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013.

2. It was published after consultation with the other employers in the Fund, namely Bromley & Orpington College, Ravensbourne College, Affinity Sutton (Broomleigh Housing Association), Bromley Mytime and Bromley & Lewisham MIND. The Council also consulted its employees through their departmental representatives and trade unions.

3. Before publishing the statement, the Council took into account guidance issued by the CIPFA Pensions Panel under the title "Local Government Pension Scheme: Pension Fund Decision Making – Guidance Notes (2006)".

4. Under Schedule 1, paragraph H1 of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000 No. 2853), functions relating to local government pensions are not to be the responsibility of an authority's Executive.

5. The Council has made the following arrangements for delegation of its functions relating to pensions:
   (a) Overall responsibility for administration of the Local Government Pension Scheme has been delegated to the General Purposes and Licensing Committee.
   (b) Responsibility for the following functions has been delegated to the Pensions Investment Sub-Committee, which is a sub-committee of the General Purposes and Licensing Committee:
      (i) Monitoring the financial position of the Pension Fund, including consideration of the triennial actuarial valuations.
      (ii) Investment of the Pension Fund, including the appointment of investment managers.
      (iii) Management of the Council's additional voluntary contributions (AVC) scheme.
   (c) Responsibility for day-to-day administration has been delegated to the Director of Finance. He has issued operational guidelines for internal use by staff, including staff employed by Liberata Pensions, for reference in determining the day-to-day issues that have been delegated to him.

6. The General Purposes and Licensing Committee normally meets six times a year. Its membership comprises 15 elected councillors, with its political make-up determined according to proportionality rules.

7. The Pensions Investment Sub-Committee normally meets four times a year. Its primary function is to review the investment performance of the Fund's external investment managers. Its membership comprises seven elected councillors, with its political make-up determined in accordance with proportionality rules, and one non-voting representative of the Council's employees.

8. Neither the General Purposes and Licensing Committee nor the Pensions Investment Sub-Committee includes any representatives of the other Fund employers. The Council does not believe that it would be practicable for these employers to be represented on

either committee, as this would result in an inappropriate balance of committee membership given that a large proportion of the Fund's members are the financial responsibility of the Council.

9. In addition to both the General Purposes and Licensing Committee and the Pensions Investment Sub-Committee, a Local Pension Board (hereinafter referred to as 'the Board') has been established to meet the requirements of The Local Government Pension Scheme Regulations 2013 (as amended). The role of the Local Pension Board is to "*assist*" administering authorities to secure compliance with the LGPS regulations and other legal and regulatory requirements, and generally to ensure the efficient and effective governance and administration of the LGPS.

   The Board is not a Local Authority committee, but has been established by Council. It may only operate within its Terms of Reference. A full copy of the Terms of Reference is available on request and a summary of the key points can be found below:

   - The Board must comprise of an equal number of Employer and Member Representatives, with no fewer than two of each;
   - Member Representatives are formally appointed by the General Purposes and Licensing Committee. Employer Representatives are formally appointed by full Council on the recommendation of the General Purposes and Licensing Committee;
   - The Board must meet officially on an annual basis, further ad hoc meetings may be convened as and when required;
   - The Board's role is to oversee and it is not a decision making body with regard to the management of the Pension Fund;
   - No independent Chairman will be appointed to the Board. Instead, Employer and Member representatives will rotate the chairing of meetings on an annual basis.

   In the event of a vote, Board members have one vote per member. However, it is anticipated that the Board will reach a consensus where possible.

GOVERNANCE COMPLIANCE STATEMENT

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to our stakeholders.

Principle A – Structure

a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partly compliant
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Partly compliant
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Partly compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Neither the General Purposes and Licensing Committee nor the Pensions Investment Sub-Committee includes any representatives of the other Fund employers. The Council does not believe that it would be practicable for these employers to be represented on either committee, as this would result in an inappropriate balance of committee membership given that a large proportion of the Fund's members are the financial responsibility of the Council. This matter will be kept under review. There is a non-voting representative of the Council's employees on the Pensions Investment Sub-Committee and there are also two employer representatives and two member representatives on the Local Pension Board.

Principle B – Representation

a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, e.g, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Partly compliant

b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Fully compliant

Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) The Pensions Investment Sub Committee includes an employee representative as part of its membership and the Local Pension Board membership comprises two employer representatives and two member representatives.

Please use this space if you wish to add anything to explain or expand on the ratings given above :- The employee representative on the Pensions Investment Sub Committee receives all non-exempt papers and can attend Sub-Committee meetings other than for exempt matters. Equal access is given to training and he also has a full opportunity to contribute to the decision making process but without voting rights.

Principle C – Selection and role of lay members

a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully compliant

Principle D – Voting

a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Before publishing the statement, the Council took into account guidance issued by the CIPFA Pensions Panel under the title “Local Government Pension Scheme: Pension Fund Decision Making – Guidance Notes (2006)”.

Principle E – Training, Facility time, Expenses

a)	That, in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully compliant
b)	That where such a policy exists, it applies equally to all	Fully compliant

	members of committees, sub-committees, advisory panels or any other form of secondary forum.	

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The policy is to ensure that there is regular and comprehensive access to training. An in-house training session for Councillors was held in July 2014 and another one is planned for September 2015. In addition, three Members of the Pensions Investment Sub-Committee attended an external training event in October 2014.

Principle F – Meetings (frequency/quorum)

a)	That an administering authority's main committee or committees meet at least quarterly.	Fully compliant
b)	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Partly compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

As stated, an employee representative is currently a member of the Pensions Investment Sub-Committee. Presentations are made to the employee forum where opportunities exist for the representation of interests and issues.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The General Purposes and Licensing Committee meets six times per year plus any special meetings.
The Pensions Investment Sub Committee meets four times per annum plus any special meetings.

Principle G – Access

a)	That, subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that fall to be considered at meetings of the main committee.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Equal access is given.

Principle H – Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Wider scheme issues are also part of the Council's governance arrangements.

Principle I – Publicity

a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully compliant

FUND ACCOUNT AND NET ASSETS STATEMENT

Regulation 34(1)(f) requires an administering authority to prepare a Pension Fund account and net assets statement with supporting notes and disclosures prepared in accordance with proper practice. These statements must be included in this annual report and must be drawn up in accordance with the Code of Practice on Local Authority Accounting issued by CIPFA.

The accounts have to be accompanied by a statement of responsibilities signed by the Director of Finance and by the independent auditor’s report. These can be found on pages 36 and 37. The Fund Account and Net Assets Statement are on page 38, supporting notes are on pages 39 to 48 and details of the Pension Fund Revenue Account are on page 49.

During 2015/16, the total net assets of the Fund rose from £745.4m to £748.0m. The Pension Fund Revenue Account showed a surplus for the year of £7.0m (excluding changes in market value) and total Fund membership numbers increased in the year from 15,796 to 16,605.

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required:

* to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance;

* to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

* to approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

* selected suitable accounting policies and then applied them consistently;

* made judgements and estimates that were reasonable and prudent; and

* complied with the Code of Practice.

The Director of Finance has also:

* kept proper accounting records which were up to date;

* taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance

I certify that the Pension Fund accounts set out on pages 38 - 48 of the Pension Fund Annual Report present fairly the financial position of the Authority as at 31st March 2016 and its income and expenditure for the year ended 31st March 2016.

Peter Turner
Director of Finance
Dated…………………………………………………….

The maintenance and integrity of the London Borough of Bromley website is the responsibility of senior officers. Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

Independent auditor's report to the members of the London Borough of Bromley on the pension fund financial statements published with the Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 38 to 48.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities the Director of Finance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of the London Borough of Bromley, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of the London Borough of Bromley for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

Phillip Johnstone

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP, 15 Canada Square, London, E14 5GL

02/09/2016

2014/15		PENSION FUND ACCOUNT	Note	2015/16	
£000	£000			£000	£000
		Dealings with members and employers			
		Contributions and similar payments			
6,106		Contributions - from members	5	6,284	
17,941		- from employers - normal	5	19,088	
931		- augmentations	5	1,624	
6,001		- deficit funding	5	6,005	
2,896		Transfers in from other pension funds (individual)		1,778	
	33,875				34,779
		Benefits			
(24,470)		Pensions		(25,333)	
(4,300)		Lump sum benefits - retirement		(5,134)	
(177)		- death		(238)	
	(28,947)				(30,705)
		Payments to and on account of leavers			
(88)		Refunds of contributions		(92)	
(3,277)		Transfers out (individual)		(828)	
	(3,365)				(920)
	(685)	**Administrative expenses**	6		(884)
	878	**Net (withdrawal) / addition from dealings with Fund members**			2,270
		Returns on investments			
6,867		Investment income	7	7,297	
111,822		Change in market value		(4,316)	
(2,495)		Investment management expenses	8	(2,617)	
	116,194	Net return on investments			364
	117,072	**Net Fund increase during year**			2,634
	628,303	Opening net assets			745,375
	745,375	**Closing net assets**			748,009

31st March 2015		NET ASSETS STATEMENT	Note	31st March 2016	
£000	£000			£000	£000
		Investment assets	9		
32,127		Equities - UK (quoted)		26,809	
361,510		- overseas (quoted)		371,583	
	393,637				398,392
	343,854	Pooled investment vehicles (managed funds - non-property)			337,800
	6,472	Cash deposits held by investment managers			8,862
480		Other investment balances - sales		606	
(1,560)		- purchases		(762)	
	(1,080)				(156)
	742,883	Net investment assets	9		744,898
		Current assets and liabilities			
1,006		Cash		1,126	
2,104		Current assets - debtors	10	2,526	
(618)		Current liabilities - creditors	10	(541)	
	2,492				3,111
	745,375	**Closing net assets**			748,009

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Actuarial present value of promised retirement benefits is disclosed in Note 12.

1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Bromley Pension Fund Annual Report 2015/16 and the underlying statutory powers underpinning the scheme, which are listed below.

(a) General

The London Borough of Bromley Pension Fund is part of the LGPS and is administered by the London Borough of Bromley. It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and of other organisations with scheduled or admitted body status within the Fund. Teachers are not included as they are members of the Teachers' Pension Scheme, administered by the Department for Education. Former NHS public health staff who transferred to Bromley in April 2013 are also not included as they remain members of the NHS Pension Fund, administered by the Department for Health.

The Fund is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following legislation:

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009.
- The LGPS Regulations 2013 (effective from 1st April 2014).

The Fund is overseen by the London Borough of Bromley Pensions Investment Sub-Committee.

(b) Membership

Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal pension arrangements outside the scheme.

Organisations participating in the Fund include:
- Administering Authority: The London Borough of Bromley
- Scheduled Bodies: Academies, Colleges and Foundation Schools whose staff are automatically entitled to be members of the Fund
- Admitted Bodies: Other organisations that participate in the Fund under admission agreements with the Fund. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

As at 31st March 2016, there were a total of 89 employer organisations in the Bromley Fund, including the Council itself. These are listed below.

Scheduled Bodies

Primary School Academies
Alexandra Infants
Alexandra Junior
Balgowan Primary
Biggin Hill Primary
Burnt Ash Primary
Cudham CE Primary
Castlecombe Primary
Chislehurst CE Primary
Crofton Infants
Crofton Junior
Darrick Wood Infants
Farnborough Primary
Grays Farm Primary
Green Street Green Primary
Harris Aspire
Harris Crystal Palace
Harris Kent House
Harris Shortlands
Hawes Down Infants School
Hawes Down Junior School
Hayes Primary
Highfield Infants
Highfield Junior
Hillside Primary
Holy Innocents RC Primary
Keston CE Primary
La Fontaine

Scheduled Bodies

Primary School Academies (cont)
Leesons Primary
Marian Vian Primary School
Manor Oak Primary
Mead Road Infant School
Midfield Primary
Mottingham Primary
Oaklands Primary School
Oak Lodge Primary School
Parish Primary
Perry Hall Primary
Pickhurst Infants
Pickhurst Junior
Princes Plain Primary
Raglan Primary
Scotts Park Primary
Stewart Fleming Primary
St. James RC Primary
St John's CE Primary
St Joseph's RC Primary
St Mark's CE Primary
St Mary Cray Primary
St Mary's RC Primary
St Peter & St Paul Primary
St Philomena's RC Primary
St Vincent's RC Primary
Tubbenden Primary
Unicorn Primary School

Scheduled Bodies

Primary School Academies (cont)
Valley Primary
Warren Road Primary
Wickham Common Primary
Worsley Bridge Primary School

Foundation Schools
St Olave's & St Saviour's
The Glebe

Secondary School Academies
Beaverwood
Bishop Justus CE
Bullers Wood
Charles Darwin
Coopers
Darrick Wood
Harris Beckenham
Harris Bromley
Hayes
Kemnal
Langley Park Boys
Langley Park Girls
Newstead Wood
Ravens Wood
The Priory
The Ravensbourne

1 Description of Fund continued

Special School/AP Academies	***Admitted Bodies***	***Admitted Bodies***
Bromley Trust Academy	Affinity Sutton	Liberata UK
Beacon Academy	Bromley & Lewisham MIND	Certitude
Scheduled Bodies - Other	Bromley Mytime	The Landscape Group
Bromley & Orpington Colleges		
Ravensbourne College		

The following table shows the total membership of the Fund as at 31st March 2016 and 2015.

	2015	**2016**
Members	5,782	6,234
Pensioners - widows / dependants	700	711
- other	4,248	4,373
Deferred Pensioners	5,066	5,287
Total	15,796	16,605

(c) Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active scheme members in accordance with the LGPS Regulations 2013 and, in 2015/16, ranged from 5.5% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations, the rates for 2015/16 being set by the most recent valuation as at 31st March 2013. In 2015/16, employer rates ranged from 12.9% to 28.3% of pensionable pay.

(d) Benefits
Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1st April 2008:
- Pension: each year worked is worth 1/80 x final pensionable salary.
- Lump sum : automatic lump sum of 3/80 for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31st March 2008:
- Pension: each year worked is worth 1/60 x final pensionable salary.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career average scheme and pension benefits accrued after 31st March 2014 are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to 1/49 of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the scheme normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later. There is a range of additional benefits for members of the scheme including, but not limited to, early retirement, ill health retirement and death benefits.

2 Basis of Preparation
The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position as at 31st March 2016. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The actuarial present value of promised retirement benefits, valued on the basis of International Accounting Standard (IAS) 19, for the fund is disclosed in Note 12 of these accounts and that for the London Borough of Bromley is disclosed in Note 45 to the main statements.

3 *Summary of Significant Accounting Policies*

(a) Contribution income
Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate. Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid is classified as a current financial asset. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of an agreement, on a receipts basis.

(b) Transfers to and from other schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

(c) Investment Income

(i) Interest income
Interest income is recognised in the Fund account as it accrues.

(ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as "current assets".

(iii) Distributions from pooled funds
Pooled investment vehicles are accumulation funds and, as such, the change in market value also includes income, net of withholding tax, which is re-invested in the fund.

(iv) Movement in the net market value of investments
The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

(d) Benefits payable
Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund, as appropriate.

(e) Taxation
The Fund is a registered public service scheme under the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

(f) Administrative expenses
All administrative expenses are accounted for on an accruals basis. Staff costs of the pensions administration team and management, accommodation and other overheads are charged to the Fund in accordance with Council policy.

(g) Investment management expenses
All investment management expenses are accounted for on an accruals basis and investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on a percentage of the total market value of investments under management and therefore increase or decrease as the total value of investments changes.

(h) Financial assets
Equities traded through the Stock Exchange Electronic Trading Service are valued on the basis of the latest traded price. Other quoted securities are valued at their closing bid price. Pooled investment vehicles are valued at either the bid price where a bid price exists or on the single unit price provided by the investment managers.

(i) Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

3 *Summary of Significant Accounting Policies continued*

(j) Cash

Cash comprises cash investments placed by the Fund managers and cash held internally by the Fund.

(k) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to it.

(l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As is permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see Note 12). A summary of the results of the last full actuarial valuation is shown in Note 11.

(m) Additional voluntary contributions (AVCs)

The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2009, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 13.

4 *Critical Judgements in Applying Accounting Policies, Assumptions on the Future and Other Major Sources of Estimation Uncertainty*

The Pension Fund liability is calculated every three years by the scheme actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 11. The assumptions were determined after taking into account historical experience, current trends and other factors. This estimate is subject to significant variations based on changes to the underlying assumptions. Consequently, actual results may be materially different from estimates.

5 *Contributions receivable*

	2014/15 £000	2015/16 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	9,740	8,778
- augmentations	931	1,624
- deficit funding	5,900	5,900
Scheduled bodies - Foundation Schools	350	298
	16,921	16,600
Other		
Scheduled bodies - normal - academies	6,338	7,965
- normal - colleges	1,274	1509
Admitted bodies - normal	239	538
- deficit funding	101	105
	24,873	26,717
Member Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	3,928	3,572
Scheduled bodies - Foundation Schools	87	75
	4,015	3,647
Other		
Scheduled bodies - academies	1,587	1,970
- colleges	426	495
Admitted bodies	78	172
	6,106	6,284

Details of the scheduled and admission bodies are included in Note 1 (b).

6 *Administrative Expenses*

	2014/15 £000	2015/16 £000
Audit fee	21	21
Bank charges	40	164
Advice & other costs	90	111
Internal recharges	534	588
	685	884

7 *Investment Income*

	2014/15 £000	2015/16 £000
Dividends from equities	6,849	7,277
Interest on securities	18	20
	6,867	7,297

8 *Investment Management Expenses*

	2014/15 £000	2015/16 £000
Baillie Gifford - global equities	764	854
- fixed income	145	153
- Diversified Growth Fund	248	241
Fidelity - fixed income	150	83
MFS - global equities	595	656
Blackrock - global equities	397	425
Standard Life - Diversified Growth Fund	196	205
	2,495	2,617

9 *Investments*

Following a review of the Fund's investment strategy in 2012, contracts were awarded for Diversified Growth (10% of the Fund) from December 2012 and Global Equities (70% of the Fund) from December 2013. The managers as at 31st March 2016 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS.
Fixed income: Baillie Gifford and Fidelity.
Diversified Growth: Baillie Gifford and Standard Life.

The bid value of the Fund as at 31st March 2015 and 2016 was divided between the Fund managers as follows:

	31st March 2015 £000	%	31st March 2016 £000	%
Baillie Gifford - global	248,249	33.42%	247,852	33.27%
- fixed income	51,574	6.94%	51,849	6.96%
- DGF	45,464	6.12%	44,802	6.01%
Fidelity - fixed income	66,614	8.97%	67,377	9.05%
MFS - global	150,773	20.30%	159,238	21.38%
Blackrock - global	150,533	20.26%	145,461	19.53%
Standard Life -DGF	29,676	3.99%	28,319	3.80%
	742,883	100.00%	744,898	100.00%

The carrying amounts of financial assets held by Fund managers are held as fair value through profit and loss.

Pooled investments shown in the Net Assets Statement include the following:

	31st March 2015 £000	31st March 2016 £000
Diversified Growth Funds (2)	75,140	73,121
Global Equity Fund (1)	150,533	145,461
Sterling Bond Funds (2)	118,181	119,218
	343,854	337,800

9 Investments continued

The table below analyses movements in market values between the start and end of the year.

	Value at 31st March 2015	Purchases	Sales	Change in MV	Value at 31st March 2016
	£000	£000	£000	£000	£000
Equities	393,637	57,459	(54,539)	1,835	398,392
Pooled investments	343,854	6,097	(6,000)	(6,151)	337,800
Sub-Total	737,491	63,556	(60,539)	(4,316)	736,192
Cash	6,472				8,862
Other investment balances	(1,080)				(156)
Total	742,883	63,556	(60,539)	(4,316)	744,898

Total purchases and sales in 2014/15 were £119,289k and £110,481k respectively.

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including gains and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles, which are accumulation funds, changes in value also include income, net of withholding tax, which is re-invested in the Fund. All gains and losses recognised arose from financial instruments valued at fair value through profit and loss.

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp duty and other fees, are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year totalled £132k (£115k in 2014/15). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

The Code requires the Council to disclose any single investments exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. Details are shown below.

	31st March 2015		**31st March 2016**	
	£000	% of total Fund	£000	% of total Fund
Baillie Gifford				
- Sterling Aggregate Plus Bond Fund	51,574	6.95	45,749	6.14
- Diversified Growth Fund	45,464	6.13	44,802	6.01
Standard Life - Global Absolute Return Fund	29,676	4.00	28,319	3.80
Blackrock - Ascent Life Global Equities Fund	150,533	20.29	145,461	19.53
Fidelity - Institutional Aggregate Bond Fund	66,607	8.98	67,370	9.04

10 Current assets and liabilities

Current assets and liabilities are held respectively on the Balance Sheet as loans and receivables and financial liabilities at amortised cost.

	2014/15	**2015/16**
Debtors (current assets)	£000	£000
Contributions due from employers and employees	790	983
Investment income	1,271	1,537
Other	43	6
	2,104	2,526
Creditors (current liabilities)		
Fund management fees	618	538
Other	0	3
	618	541

11 Actuarial Position

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The Fund's former actuary, Barnett Waddingham LLP, carried out a full valuation of the Fund at 31st March 2010, when its solvency level was calculated at 84%. The 2010 actuarial valuation set the level of employer contributions required to attain 100% solvency within 12 years. It set employer rates for the years ending 31st March 2012, 2013 and 2014 at an average of 14.7% and specified that lump sum past-deficit contributions of £5.5m, £5.8m and £6.1m should be made in those three years.

11 *Actuarial Position continued*

The most recent full valuation of the Fund (as at 31st March 2013) was carried out by Mercer Ltd, the Fund's actuary since January 2013 during 2013/14. This calculated a new deficit position (82% funded) and set a common employer contribution rate of 15.3% and an annual lump sum past-deficit contribution of £5.9m from 1st April 2014 until 31st March 2017 with the aim of recovering that deficit over 15 years.

A significant number of schools adopted academy status during 2014/15 and 2015/16 and more are expected to follow in 2016/17. Calculations of deficit shares and contribution rates for academies are carried out individually by the Council's actuary and are set at either the same rate as the Council or at a rate sufficient to ensure that the deficit share is recovered within 15 years.

The following assumptions were employed in the 2010 and 2013 valuations.

	2010	**2013**
Economic assumptions	**% p.a.**	**% p.a.**
Increases in earnings - long term	5.0	4.1
- short term (3 years)	n/a	1.0
General Inflation	3.5	2.6
Increases in pensions	3.0	2.6
Investment return - Overall discount rate	7.2	5.6
Mortality assumptions	**Years**	**Years**
Life expectancy - male aged 65 now	21.3	22.9
- at 65 for male aged 45 now	22.2	25.1
- female aged 65 now	24.3	25.3
- at 65 for female aged 45 now	25.3	28.2

12 *Actuarial Present Value of Promised Retirement Benefits*

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 45 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund.
We are also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £929m as at 31st March 2016 (£938m as at 31st March 2015).

The demographic assumptions used in the IAS 26 report were the same as those used for the 2013 full valuation (see Note 11) and the following financial assumptions were used:

	2015	**2016**
	% p.a.	**% p.a.**
Increases in earnings *	3.5	3.5
Increases in pensions	2.0	2.0
Investment return - Overall discount rate	3.3	3.6

* includes a corresponding allowance to that maide in the actuarial valuatin for short-term public sector pay restraint.

13 *Additional Voluntary Contributions*

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2009, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2014/15 and 2015/16 and the total value of AVC Funds as at 31st March 2015 and 2016 is shown below.

	2014/15	**2015/16**
AVC contributions	**£000**	**£000**
- to Aviva	90	74
- to Equitable Life *	-	-
Total contributions	**90**	**74**

* the total contribution to Equitable Life was less than £500.

	2014/15	**2015/16**
Market Value	**£000**	**£000**
- Aviva	987	1,013
- Equitable Life	91	83
Total Market Value	**1,078**	**1,096**

14 *Related Parties*

Two members of the Pensions Investment Sub-Committee during the year were in receipt of a pension, and one is a deferred pensioner.
the year. A special responsibility allowance of £1,971 was paid to the Chairman of the Sub-Committee in both 2014/15 and 2015/16. No other payments were made for meeting attendance.

The Council incurred costs of £588k (£534k in 2014/15) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund.

15 *Nature and extent of risks arising from financial instruments*

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in this note on the next two pages.

<u>Risk and Risk Management</u>
The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, price risk, currency risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet its forecast cash-flows. The Authority manages these investment risks as part of its overall Pension Fund risk management programme.

<u>Market Risk</u>
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Authority and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

<u>Other price risk</u>
Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Authority to ensure it is within limits specified in the Fund's investment strategy.

15 *Nature and extent of risks arising from financial instruments continued*

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the Fund, i.e. £Sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term, currency rates reflect value in a particular territory and, to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold. The Fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and the Pensions Investment Sub-Committee every quarter.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one bank or building society. In addition, the Council may invest in AAA-rated money market funds to provide diversification.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund held £1.1m of Pension Fund cash under its treasury management arrangements at 31st March 2016 (£1.2m as at 31st March 2015). In practice, the Pension Fund Revenue Account cashflow position was broadly cash neutral for most of the year and, as a result, it was not considered viable to separate out Pension Fund cash from Council cash for investment purposes.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that most, if not all, of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk. The Fund managers held no illiquid assets (i.e. assets that could not be sold within 10 days) as at both 31st March 2015 and 2016.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Council reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

15 Nature and extent of risks arising from financial instruments continued

Summary

The following table sets out the potential sums at risk, most of which are remote possibilities, under the various types of risk:

	Market Risk £000	Other Price Risk £000	Currency Risk £000	Interest Rate Risk £000	Credit Risk £000
UK Equities (quoted)	26,809	26,809	-	-	26,809
Overseas Equities (quoted)	371,583	371,583	371,583	-	371,583
Pooled Investments					
- Diversified Growth Funds *	73,121	73,121	73,121	73,121	73,121
- Global Equity Fund	145,461	145,461	145,461	-	145,461
- Sterling Bond Funds	119,218	-	-	119,218	119,218
Cash and cash equivalents	-	8,706	-	8,706	8,706
	736,192	625,680	590,165	201,045	744,898

* The Diversified Growth Funds invest in a wide range of assets, including equities, bonds and alternative investments, as determined by the Fund managers. As a result, there is exposure to all types of risk up to the value of the investments held.

16 Determination of the fair value of assets

All investment assets are held at fair value. The determination of the fair value can be complex depending on the investment and the complexity of measurement can be represented by the fair value hierarchy. The fair value hierarchy ranks fair values at levels between 1 and 3.

Valuations considered to be Level 1 are based on quoted prices, and the valuation of the fund's equities fall into this category.

Level 2 valuations are based on observable inputs relating to the assets, such as the quoted price of similar assets or market data relating to the assets held. The valuation of the fund's Sterling Bond Funds and Global Equities Fund fall into this category.

Level 3 valuations are based on non-observable inputs. These types of valuation are common to the valuation of private equity and other alternative investments which are held within the Diversified Growth Funds and so the valuation of the Diversified Growth Funds are considered to be level 3 valuations.

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2014/15 £'000's	Estimate 2015/16 £'000's	Final Outturn 2015/16 £'000's
INCOME			
Employee Contributions	6,106	6,000	6,284
Employer Contributions	24,873	25,500	26,717
Transfer Values Receivable	2,896	3,000	1,778
Investment Income	6,867	7,000	7,297
Total Income	40,742	41,500	42,076
EXPENDITURE			
Pensions	24,470	25,200	25,333
Lump Sums	4,477	5,000	5,372
Transfer Values Paid	3,277	3,000	828
Administration	3,180	3,300	3,501
Refund of Contributions	88	100	92
Total Expenditure	35,492	36,600	35,126
Surplus/Deficit (-)	5,250	4,900	6,950

MEMBERSHIP	**31/03/2015**	**31/03/2016**
Employees	5,782	6,234
Pensioners	4,948	5,084
Deferred Pensioners	5,066	5,287
	15,796	16,605

LONDON BOROUGH OF BROMLEY PENSION FUND
FUNDING STRATEGY STATEMENT (FSS)

This Statement has been prepared by London Borough of Bromley (the Administering Authority) to set out the funding strategy for the London Borough of Bromley Pension Fund (the LBBPF), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 and the guidance paper issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. INTRODUCTION

The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a FSS. The key requirements for preparing the FSS can be summarised as follows:

- After consulting with the external actuary, the Administering Authority will prepare and publish a funding strategy.
- In preparing the FSS, the Administering Authority must have regard to :-
  - the guidance issued by CIPFA for this purpose; and
  - the Statement of Investment Principles (SIP) for the LBBPF published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published annually and whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the LBBPF are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst, at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution.

The benefits provided by the LBBPF are specified in the governing legislation contained in the 2013 Regulations and the 2014 Transitional Regulations. The required levels of employee contributions from 1 April 2015 are also specified in the 2013 Regulations.

Employer contributions are determined in accordance with the 2013 Regulations, which require that an actuarial valuation is completed every three years by the actuary, including the provision of a rates and adjustments certificate. Contributions to the LBBPF should be set so as to "secure its solvency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2. PURPOSE OF THE FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the LBBPF as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. AIMS AND PURPOSE OF THE LBBPF

The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income,
- and pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the LBBPF's actuary

- prepare and maintain an FSS and a SIP, both after due consultation with interested parties
- monitor all aspects of the LBBPF's performance and funding and amend FSS/SIP, and
- with effect from 1st April 2015, establish, support and monitor a Local Pension Board ("LPB") in accordance with the requirements set down in the Public Service Pensions Act 2013, the Regulations and the Pension Regulator's relevant Code of Practice..

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters,
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

Funding Objective

To meet the requirements of the Administration Regulations, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "**funding target**") assessed on an ongoing past service basis including allowance for projected final pay. In the long term, the employer rate would ultimately revert to the Future Service Rate.

Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix 1.

Underlying these assumptions are the following two tenets:

- that the Scheme is expected to continue for the foreseeable future; and

- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows us to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding plan the following:-

- allowance for interest rates and bond yields having reverted since the valuation date to higher levels

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers (employer groups) in the Scheme. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole.

The Administering Authority has adopted the following objectives for setting the individual employer contribution rates arising from the 2013 actuarial valuation:

- A default recovery period of 15 years will apply. Employers will, however, have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).

- In the current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply compared to the 2010 funding plan where substantial deficits remain.

- For any employers assessed to be in surplus at the valuation date, their individual contribution requirements will be adjusted to such an extent that any surplus is used (ie run-off) over a 15 year period. The current level of contributions will be phased down as appropriate.

- The employer contributions will generally be expressed as a percentage of pensionable payroll.

- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer.

In determining the above objectives the Administering Authority has had regard to:

- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and

- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Deficit Recovery Plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as a level percentage of pensionable payroll, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period to apply for any particular employer or employer group, the Administering Authority may take into account some or all of the following factors:

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the employer; and the security of future income streams
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.
- length of expected period of participation in the Fund.

The assumptions used in these Recovery Plan calculations are set out in Appendix 1.

The Normal Cost of the Scheme (Future Service Contribution Rate)

In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the "normal cost"). The method and assumptions for assessing these contributions are also set out in Appendix 1.

6. LINK TO INVESTMENT POLICY SET OUT IN THE STATEMENT OF INVESTMENT PRINCIPLES

The results of the 2013 valuation show the liabilities at 31 March 2013 to be 82% covered by the current assets, with the funding deficit of 18% being covered by future deficit contributions.

In assessing the value of the LBBPF's liabilities in the valuation, allowance has been made for asset out-performance as described in Appendix 1, taking into account the investment strategy adopted by the LBBPF, as set out in the SIP.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches the liabilities and represents the minimum risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Investment of the LBBPF's assets in line with the least risk portfolio would minimise fluctuations in the LBBPF's ongoing funding level between successive actuarial valuations.

Departure from a least risk investment strategy, in particular to include equity type investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current benchmark investment strategy, which was agreed by the Pensions Investment Sub-Committee in 2012 and is set out in more detail in the SIP, is:

- Global Equities 70%
- Fixed Income 20%
- Diversified Growth 10%

7. IDENTIFICATION OF RISKS AND COUNTER MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the LBBPF is based on both financial and demographic assumptions. These assumptions are specified in Appendix 1 and in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the LBBPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall out performance assumed in the long term.

What are the Risks?

Financial

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

Demographic

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)

Insurance of certain benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

Regulatory

- Further changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees
- Changes to national pension requirements and/or HMRC rules

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)
- Administering Authority not advised of an employer closing to new entrants
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Changes in Committee membership.

8. MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- if there have been significant changes to the LBBPF membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy e.g. closure to new entrants
- if there have been any significant special contributions paid into the LBBPF

ACTUARIAL VALUATION AS AT 31 MARCH 2013

Method and assumptions used in calculating the funding target and recovery plan

Method

The actuarial method to be used in the calculation of the funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted (the Attained Age method), which makes advance allowance for the anticipated future ageing and decline of the current closed membership group.

Financial assumptions

Investment return (discount rate)

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") 1.75% per annum.

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index, the overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase, assumption allowance has been made for expected short term pay restraint of 1% per annum for 3 years.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the RPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Mortality

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity. The mortality tables used are set out below, with a loading reflecting wider LGPS experience. Existing ill health retirees are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 3 years older. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity ‘improvement’ year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.5% per annum.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

All other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.7% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.0% per annum, with a long term average assumption for consumer price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a (i.e. 3.0% plus 2.6%).

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the "Common Rate" of contributions. In market conditions at the effective date of the 2013 valuation this approach gives rise to a slightly more optimistic stance (i.e. allows for a higher AOA) in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the "normal cost") for the 2013 actuarial valuation

Long-term gilt yields	
Fixed interest	3.20% p.a.
Index linked	-0.40% p.a.
Past service Funding Target financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.60% p.a.
Long Term Salary increases	4.10% p.a.
Pension increases/indexation of CARE benefits	2.60% p.a.
Future service accrual financial assumptions	
Investment return	5.60% p.a.
CPI price inflation	2.60% p.a.
Long Term Salary increases	4.10% p.a.
Pension increases/indexation of CARE benefits	2.60% p.a.

Demographic assumptions

The post retirement mortality tables adopted for this valuation are as follows:

Life expectancy at 65 in 2013		Base table	Adjustment	Improvement model	Long term rate
CURRENT ANNUITANTS	Normal health	S1PxA	97% / 97%	CMI_2012	1.5%
	Ill health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Dependants	S1PMA/S1DFA	159% / 109%	CMI_2012	1.5%
	Future Dependants	S1PMA/S1DFA	110% / 98%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives normal health	S1PxA	97% / 91%	CMI_2012	1.5%
	Actives ill health	S1PxA	Normal health + 4 years	CMI_2012	1.5%
	Deferreds	S1PxA	118% / 105%	CMI_2012	1.5%
	Future dependants	S1PMA/S1DFA	107% / 99%	CMI_2012	1.5%

Notes:

CMI = Continuous Mortality Investigation, which publishes mortality projections for the Institute and faculty of Actuaries.

S1P = the set of base tables used by the CMI.

Other demographic assumptions are as for the 2010 valuation.

LONDON BOROUGH OF BROMLEY PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

Introduction

This statement has been produced in accordance with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the Regulations") and was reported to the Pensions Investment Sub-Committee on 21st September 2016. The Regulations provide that an administering authority must prepare, maintain and publish a written statement of the principles governing its decisions about investments. The Regulations specify eight issues that must be addressed in the statement. The following sections of this statement address these issues in turn.

(a) The types of investment to be held

The fund's investment managers are authorised to invest in all assets permitted under the Regulations, subject to the provisions of their benchmarks and certain minor restrictions. Details of the Investment Guidelines and Restrictions are included below.

(b) The balance between different types of investments

The broad balance between different types of investments is defined in the investment managers' benchmarks, which were comprehensively reviewed and revised in 2012, following a review of the Fund's Investment Strategy. Details of the five managers' benchmarks are shown below. The Pensions Investment Sub-Committee will review its asset allocation strategy every three years.

(c) Risk

At the last full valuation of the Fund (as at 31st March 2013), the actuary valued the fund's assets at 82% of the fund's liabilities (84% in the previous valuation as at 31st March 2010). He determined employers' contribution rates with a view to achieving 100% solvency over a 15-year period, assuming a broad 80:20 asset allocation between "growth" assets (equities and Diversified Growth Funds) and "protection" assets (fixed income) as at the valuation date. The Pensions Investment Sub-Committee has set targets to out-perform various benchmarks and it believes that the risks associated with a high allocation to equities are justified by the need to improve its funding level.

Other key risks that could have an adverse impact on the achievement of the fund's funding strategy and target funding levels are analysed in the fund's Funding Strategy Statement, where they are analysed over financial, demographic, regulatory and governance risks.

(d) The expected return on investments

The fund's investment strategy is based on the long-term returns assumed by the actuary in the 2013 actuarial review. The assumed return (future service discount rate) for the Fund was 5.6%.

(e) The realisation of investments

The investment managers have full discretion to make decisions on the realisation of investments having regard to their benchmarks and their investment targets.

(f) The extent to which social, environmental or ethical considerations are taken into account in investments

The authority has been advised that its primary responsibility is to secure the best returns for the fund in the interests of its council taxpayers and its members. The Council has decided to take no action at this time in developing an ethical investment policy, having also considered:

- the difficulties involved in identifying companies meeting any ethical investment criteria;
- the possibility of judicial review in the case of any company included in error;
- the difficulty and cost of monitoring any policy;
- the unpredictable impact on investment performance;
- the complications that would arise in relation to performance measurement; and
- the lack of support for such a policy from other employers in the fund.

The authority therefore does not impose any obligation on the investment managers to take account of such considerations in making investments. However, the managers seek to encourage best corporate practice in companies' management of the social, environmental and ethical impact of their activities. They seek to achieve this by engaging in dialogue with companies in which they invest in order to encourage them to improve policies and practices. In their investments they seek to favour those companies that pursue best practices provided it does not act to the detriment of the return or risk of the portfolio. They also take account of any social, environmental or ethical factors that they consider to be relevant to investment risk.

(g) The exercise of the rights (including voting rights), if any, attaching to the investments

The investment managers have been authorised to exercise voting rights on behalf of the Fund unless specifically instructed to vote in a particular way on any individual resolution. In exercising those rights, they will have regard to the Combined Code issued by the Hampel Committee on Corporate Governance. They have been instructed to report back to the Council's Pensions Investment Sub-Committee every quarter on any material divergence from the recommendations of the Combined Code by companies in which the Council is invested and on action taken by them in response to the divergence. They have also been instructed to report to the Sub-Committee at least every six months on their corporate governance activities generally, including their dialogue with companies' management to encourage sound social, environmental and ethical practices in their activities. The Sub-Committee will issue instructions on individual matters only in exceptional circumstances, when asked for instructions by a manager or when a specific resolution is brought to their attention. With regard to other rights such as the taking up of rights issues, this is left for the investment managers to decide in the light of their assessment of market conditions at the time.

(h) Stock Lending

The Pension Fund does not currently operate a stock lending programme through its custodian bank.

COMPLIANCE WITH MYNERS' PRINCIPLES

Under regulation 12 (3) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended), the Council is required to state the extent to which it complies with a set of principles of investment practice. Ten principles were originally set out in the document "CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom". This document was published in April 2002 in response to the recommendations of the Review of Institutional Investment in the United Kingdom undertaken by Paul Myners.

The principles were updated in a Treasury report in October 2008, “Updating the Myners’ Principles: A Response to Consultation”. This report set out six investment governance principles that the Council must comply with. These are set out below, together with details of the level of compliance.

INVESTMENT GUIDELINES AND RESTRICTIONS

General

Investment is permitted in all classes of assets, subject to the limits imposed by the Regulations on the proportion of the fund which may be invested in certain investments and certain other restrictions imposed by the authority. In addition, the investment managers do not use certain investments as a matter of policy.

All references to percentages in this appendix are to percentages of the total value of all existing investments in the fund before making the investment which is subject to the limit. The limits only apply at the time the investment is made.

Limits imposed by the Regulations

- All contributions to any single partnership: 2%
- All contributions to partnerships: 5%
- All deposits with any local authority or precepting body which is an exempt person (within the meaning of the Financial Services and Markets Act 2000) in respect of accepting deposits as a result of an order made under section 38(1) of that Act, and all loans: 10%
- All deposits with any single bank, institution or person (other than the National Savings Bank): 10%
- All investments in unlisted securities of companies: 10%
- Any single holding in unlisted securities: 2% (limit imposed by the authority)
- Any other single holding, apart from investments in OEICs and unit trusts: 10% (there is no limit on investment in single OEICs or unit trusts apart from the total limit below)
- All investments in unit trusts and open-ended investment companies (OEICs) managed by any one body: 35%
- Any single insurance contract: 25%
- All securities transferred under stocklending arrangements: 25%

Other restrictions imposed by the authority

- Cash held at custodian's bank is not to exceed £2,500,000 for each individual fund manager, with any excess placed on the money market with the main clearing banks or placed in institutional cash funds approved by the authority
- No sub-underwriting
- Certain limits on use of futures and options are recorded in the relevant investment management agreements and fund prospectuses

Asset Allocation
The current investment strategy comprises the following asset allocations:

Global Equities (70% allocation in agreed Investment Strategy)

	Value @ 31 March 2016	% of total
	£m	%
Baillie Gifford	242.7	
MFS International	155.5	
Blackrock	145.5	
	543.7	72.7%

Fixed Income (20% allocation in agreed Investment Strategy)

	Value @ 31 March 2016	% of total
	£m	%
Baillie Gifford	51.9	
Fidelity	67.3	
	119.2	15.9%

Diversified Growth (10% allocation in agreed Investment Strategy)

	Value @ 31 March 2016	% of total
	£m	%
Baillie Gifford	44.8	
Standard Life	28.3	
	73.1	9.8%

Other (cash, current assets/liabilities)	**Value @ 31 March 2016**	**% of total**
	£m	%
Cash held by Fund managers	8.9	
Current net assets	3.1	
	12.0	1.6%

Grand Total	**Value @ 31 March 2016**	**% of total**
	£m	%
Total assets held by Fund managers	744.9	
Current net assets	3.1	
	748.0	100.0%

The Fund managers have been set the following targets/benchmarks:

Global equities – Baillie Gifford, Blackrock and MFS are all required to outperform the MSCI All Countries World Index.

Fixed income – Baillie Gifford are required to outperform 50% FTSE UK Gilts All Stocks/50% BAML Sterling Non-Gilts Index; Fidelity are required to outperform 50% iBoxx Gilts/50% iBoxx non-Gilts.

DGF – Baillie Gifford are required to achieve Base Rate + 3.5%; Standard Life are required to achieve 6 month Libor + 5%.

The funding strategy adopted for the 2013 valuation is based on an assumed overall asset out-performance of 1.75% per annum.

Compliance with Myners Principles

The Principles, together with the Council's position on compliance *(in italics)*, are set out below:

Principle 1. Effective decision-making
Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

<u>Key points</u>:

1. Elected members have a fiduciary duty to the Fund, Scheme members and local taxpayers.
2. Functions can be delegated and investment managers used, but overall responsibility rests with members.
3. Proper advice should be taken and the regulations define this as: "the advice of a person who is reasonably believed…to be qualified by his ability in and practical experience of financial matters."
4. The Wednesbury Principle (1945) applies to all parties involved in the arrangements and ensures they direct themselves properly in law and demonstrate reasonable behaviour.
5. All councils must appoint one of its officers to have responsibility for ensuring arrangements are in place for the proper administration of its financial affairs.
6. The role of the Pensions Committee and key officers should be clear in the Council's Constitution.
7. Best governance practices should be followed.
8. The Pensions Committee should ensure it has appropriate skills and is run in a way to facilitate effective decision-making.

Bromley complies with this principle in all major respects. The Fund produces a Statement of Investment Principles, a Funding Strategy Statement (which serves as the Fund's business plan) and a Governance Statement. The functions delegated and the administration of the Fund's activities are undertaken with appropriately trained staff and in accordance with the Council's constitution and the Fund's compliance procedures. The Council employs an independent professional adviser and the training requirements of Pensions Investment Sub-Committee members and officers are reviewed on an ongoing basis. Most recently, a training evening was held in July 2014, primarily for new Members of the Sub-Committee following the recent elections, but open to all Council Members. Three Sub-Committee members attended an external training course in October 2014 and a further internal training event is planned for September 2015.

Principle 2. Clear objectives
Overall investment objectives should be set for the Fund that take account of the Scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administering authority and other scheme employers. These should be clearly communicated to advisors and investment managers.

<u>Key points</u>:

1. A three-yearly actuarial valuation as required by the regulations.
2. A full range of investment opportunities should be considered.
3. A strategic asset allocation should be used and reviewed regularly.
4. Robust investment management agreements should be in place.

5. The target investment return and associated risks should reflect the liabilities, assets held and link to the actuarial process.
6. The provision for taking proper advice should be demonstrated.

The Fund takes a range of specialist advice in formulating its SIP and FSS, ensuring that they link with the common objectives that arise from the actuarial process, with emphasis on managing investment risk relative to cash flows and the need for stable contribution rates. These policies are reviewed regularly and informal discussions with the actuary take place to track progress between valuations. The Pensions Investment Sub-Committee places significant emphasis on reviewing and monitoring the investment strategy with regular reviews and input from experienced professional advisors. Robust agreements are in place with the Fund's investment managers and their performance is monitored quarterly by the Sub-Committee, with the managers being required to attend those meetings on a regular basis. The Fund's overall investment objective, as recorded in its Funding Strategy Statement, is to improve its funding level from 82% as at the last full valuation (31 March 2013) to 100% by 31 March 2028.

Principle 3. Risk and Liabilities

In setting and reviewing the investment strategy, administering authorities should take account of the form and structure of the Fund's liabilities, including the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Key points:

1. The Pensions Committee should set a clear investment objective.
2. Investment risk should be fully evaluated, monitored and the link to employing bodies' ability to meet liabilities recognised.
3. Appropriate guarantees should be used to protect against employer default.
4. The need for affordable, stable contributions should be reflected in the work of the Pensions Committee.
5. The Pensions Committee should satisfy itself that the standards of internal controls applied are sound and robust.
6. An understanding of risk should be demonstrated and reported upon.

Members approved the Funding Strategy Statement and the asset allocation strategy having regard to the Fund's liabilities and the need to achieve stable and affordable contributions, consulting with interested parties regularly. The investment setting process takes account of short-term market volatility, but, with strong positive cash flows, places great emphasis on the medium to long-term view. The Fund's Annual Report includes a statement of overall risk management of all activities.

Principle 4. Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. The administering authority should also periodically make a formal assessment of its own effectiveness as a decision-making body and report on this to Scheme members.

Key points:

1. Extensive formal performance measurement of investments, mangers and advisors should be in place and relate to the investment objectives.
2. Effectiveness of the Pensions Committee should be reported on at regular intervals.
3. 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.

The overall investment objectives of the Fund link to portfolios and individual investment objectives. Performance is measured quarterly against targets driven by the investment strategy and its component parts. The investment performance of the fund and its managers is measured by the independent WM Company in full compliance with this principle and a fund performance report is submitted to the Pensions Investment Sub-Committee each quarter. No arrangements are in place for formal assessment of the Sub-Committee's own procedures and decisions, although the Annual Report does detail the Sub-Committee's work and achievements.

Principle 5. Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to Scheme members on the discharge of such responsibilities.

Key points:

1. Disclose approach to company governance matters and socially responsible issues in the SIP.
2. Define expectations of managers on company governance matters.
3. The Institutional Shareholders' Committee Statement of Principles for institutional shareholders and/or agents should be followed.

Bromley's approach to corporate governance is set out in the main body of the SIP, including its approach to voting rights and engagement with companies' management. This approach is broadly consistent with the Institutional Shareholders' Committee Statement of Principles.

Principle 6. Transparency and Reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.
- Provide regular communication to Scheme members in the form they consider most appropriate.

Key points:

1. Maintain a sound governance policy and demonstrate its implementation.
2. Maintain a communication policy and strategy.
3. Ensure all required strategies and policies are published in a clear transparent manner.
4. Annual reports are a demonstration of accountability to stakeholders and should be comprehensive and readily available.

The Fund produces and reviews regularly its key policy and strategy documents, publishing them on its website. All members, actives, deferreds and pensioners receive communications on the Fund's activities and performance. A comprehensive Annual Report is produced, which includes the Council's formal Communications Policy Statement. The results of the monitoring of the managers are published in the public agendas of the Pensions Investment Sub-Committee, which are also published on the website.

LONDON BOROUGH OF BROMLEY PENSION FUND
COMMUNICATIONS POLICY STATEMENT

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, maintain and publish a Communications Policy Statement. This statement sets out the Council's policy concerning communications with members, members' representatives, prospective members and employing authorities.

Prospective Members		**Responsibility**
Employees' Guide to the Local Government Pension Scheme	**Council employees** All new prospective Scheme members are provided with a booklet before an appointment.	Booklet - Liberata. Distribution - Head of HR and Schools.
	Councillors All newly elected Councillors are provided with a booklet shortly after appointment.	Booklet – Liberata. Distribution - Head of Committee services.
	Employees of scheduled bodies other than the Council All new prospective Scheme members are provided with a booklet before or on appointment.	Booklet – Liberata. Distribution - Scheduled body.
	Employees of admitted bodies All new prospective Scheme members are provided with a booklet on meeting the body's admission requirements.	Booklet - Liberata. Distribution - Admitted body.
Annual newsletter	All prospective members are issued with the Scheme's annual newsletter, which carries information on joining the Scheme.	Production & distribution –Liberata in partnership with LBB.
Staff Intranet	The staff intranet contains outline information about the Scheme and details of where further information may be obtained.	Head of Human Resources in conjunction with Director of Finance.
National Website	The address of the LGPS website maintained by the Employer's Organisation for Local Government is published in the Scheme booklet, the annual newsletter and various other documents.	www.lgps.org.uk
Members		
Employees' Guide to the LGPS	A booklet is issued on or before appointment. A further copy is available on request.	
Annual Newsletter	An annual newsletter is issued to all active and prospective members covering relevant pension topics within the LGPS. It will also include any material changes or developments in the Scheme.	Production & distribution –Liberata in partnership with LBB.
Annual Benefit Statement	A statement of accrued and prospective benefits as at 31st March each year is sent to the home address of all active members. An explanation of the statement and a note of any material changes or developments in the	Production & distribution - Liberata.

	Scheme accompany this.	
	A statement of the current value of accrued benefits is sent annually to the home address of deferred members where the current address is known. An explanation of the statement and a note of any material changes or developments in the Scheme accompany this.	Production & distribution - Liberata.
Pay Advice to pensioners	A monthly pay advice is sent to Scheme pensioners.	Production & distribution - Liberata.
Annual pensions increase advice	A statement setting out increases to pensions is sent to pensioners annually in March/April. This is accompanied by a note of any relevant changes to the Scheme and a reminder to the pensioner to inform the Council of any changes in details.	Production & distribution - Liberata.
Staff Intranet	The staff intranet contains outline information about the Scheme and details of where further information may be obtained.	Head of Human Resources in conjunction with Director of Finance.
National website	The address of the LGPS website maintained by the Employer's Organisation for Local Government is published in the Scheme booklet, the annual newsletter and various other documents.	www.lgps.org.uk
Representatives of members		
Scheme booklet, annual newsletter and other literature	Available on request to Liberata.	
Consultative documents	Consultative documents issued by ODPM are distributed to the trades unions, departmental representatives and staff side secretary where relevant.	Head of Human Resources
Employing Authorities		
Procedure Manual	A manual setting out administrative procedures is issued to employing authorities.	Production & maintenance - Liberata.
Report of Actuarial Valuation	A report on the triennial valuation of the pension fund is distributed to employing authorities shortly after completion.	Director of Finance
Consultative documents	Consultative documents issued by ODPM are distributed to employing authorities where relevant.	Director of Finance