

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

**Date:** 26<sup>th</sup> September 2017

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

**Title:** PENSION FUND ANNUAL REPORT 2016/17

**Contact Officer:** James Mullender, Principal Accountant  
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**Chief Officer:** Director of Finance

**Ward:** All

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**1. Reason for report**

1.1 This report introduces the annual report and accounts of the Bromley Pension Fund for the year ended 31<sup>st</sup> March 2017, which the Council is required to publish under the Local Government Pension Scheme Regulations 2013. In accordance with the regulations, the annual report includes a number of stand-alone documents that require the approval of the Sub-Committee (the Governance Policy Statement – pages 30 to 31 of the Annual Report, the Funding Strategy Statement – pages 54 to 65, the Investment Strategy Statement – pages 66 to 70 and the Communications Policy Statement – pages 71 to 73). The annual report (attached at Appendix 1) has been audited by the Fund's external auditor, KPMG LLP and a statement from KPMG is included on page 38 of Appendix 1. In accordance with the regulations, the Council will publish the Annual Report on its website by 1<sup>st</sup> December 2017.

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**2. RECOMMENDATIONS**

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

**(a) Note and approve the Pension Fund Annual Report 2016/17;**

**(b) Approve the Governance Policy Statement and Communications Policy Statement as outlined in paragraph 3.2;**

**(c) Approve the changes to the Funding Strategy Statement and Investment Strategy Statement as set out in paragraph 3.3; and**

**(d) Agree that arrangements be made to ensure publication by the statutory deadline of 1<sup>st</sup> December 2017.**

## Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.
  2. BBB Priority: Excellent Council.
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## Financial

1. Cost of proposal: No cost
  2. Ongoing costs: Recurring cost. Pension Fund audit fee £21,000 in 2016/17. Total administration cost £4.20m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)
  3. Budget head/performance centre: Pension Fund
  4. Total current budget for this head: £39.3m expenditure (pensions, lump sums, etc); £41.9m income (contributions, investment income, etc); £943.8m total fund market value at 31<sup>st</sup> March 2017)
  5. Source of funding: Contributions to Pension Fund
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## Staff

1. Number of staff (current and additional): 0.4 FTE
  2. If from existing staff resources, number of staff hours: c 14 hours per week
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## Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013, LGPS (Management and Investment of Funds) Regulations 2016
  2. Call-in: Call-in is not applicable.
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,076 current employees; 5,070 pensioners; 5,258 deferred pensioners as at 31<sup>st</sup> March 2017
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## Ward Councillor Views

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

### 3. COMMENTARY

3.1 The Pension Fund is required by the Local Government Pension Scheme Regulations 2013 to publish an Annual Report and Statement of Accounts. The Regulations set out what is to be included within the report and require the report to be published by 1<sup>st</sup> December. Furthermore, the Regulations require an administering authority to have regard to guidance given by the Secretary of State and the Fund has complied fully with the Regulations and guidance. The Annual Report for 2016/17 is attached at Appendix 1.

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

- Governance Policy Statement (published in accordance with Regulation 55 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 30 to 35 of the Annual Report;
- Funding Strategy Statement (prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 54 to 65 of the Annual Report;
- Investment Strategy Statement (produced in accordance with Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016). This can be found on pages 66 to 70 of the Annual Report; and
- Communications Policy Statement (required by Regulation 61 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 71 to 73 of the Annual Report.

The Governance and Communications Policy statements were approved by the Sub-Committee on 21<sup>st</sup> September 2016, and the Investment Strategy and Funding Strategy Statements were both approved on 22<sup>nd</sup> February 2017. In accordance with the Regulations, these statements are kept under review. No changes are currently being proposed to the Governance and Communications Policy statements, and members are therefore requested to formally re-approve these statements.

3.3 To reflect the changes to the Asset Allocation Strategy in April 2017, members are requested to approve the changes to the Investment Strategy Statement and Funding Strategy Statement as set out in Appendix 2. No other changes are proposed at this time.

3.4 The Bromley Pension Fund had total net assets of £913.4m as at 31<sup>st</sup> March 2017 (£748.0m as at 31<sup>st</sup> March 2016). The Fund Accounts and Net Assets Statement can be found on pages 36 to 52 of the Annual Report.

3.5 Fund performance was reported quarterly to the Sub-Committee during 2016/17 and the Fund outperformed its benchmark by 2.2% over the year (+26.8% against a benchmark return of +24.6%). Performance compared to the 60 LGPS funds in the PIRC local authority universe (average return of +20.2%) was excellent, ranking in the 1<sup>st</sup> percentile for the year (1% being the best and 100% being the worst). Rankings over the medium and long term were also excellent – 1<sup>st</sup> over 3, 5 and 10 years, and 2<sup>nd</sup> over 20 years to March 2017. Details of investment policy and performance are set out on pages 13 to 17 of the Annual Report.

3.6 Total membership of the fund reduced from 16,605 as at 31<sup>st</sup> March 2016 to 16,404 as at 31<sup>st</sup> March 2017, when it comprised 6,076 employees, 5,070 pensioners and 5,258 deferred members. Payments into the Fund from contributions (employee and employer), transfers in and investment income totalled £44.9m in 2016/17 (£42.1m in 2015/16) and payments from

the Fund for pensions, lump sums, transfers out and administration totalled £71.0m (£35.1m in 2015/16). Details of this can be found in the Pension Fund Revenue Account statement on page 53 of the Annual Report. The large increase in the value of payments made during 2016/17 is mainly the result of two group transfers out, further information on which is included in note 16 to the Accounts on page 52 of the Annual Report.

3.7 The Annual Report and Accounts have been prepared in accordance with officers' understanding of the requirements of both the LGPS Regulations and the Secretary of State's guidance. The accounts have been audited by KPMG and were made available in draft form on the Council's website before the end of June 2017. At the time of writing KPMG anticipate issuing an unqualified audit opinion on the financial statements of the Pension Fund and a statement to that effect can be found on page 38 of the Annual Report. The Annual Report has also been audited and is required to be published by 1<sup>st</sup> December.

#### 4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits. Under the 2013 Regulations, an Annual Report is required to be published by 1<sup>st</sup> December.

#### 5. FINANCIAL IMPLICATIONS

5.1 These are summarised in the body of the report and more details are provided in the relevant sections of the Annual Report. The fee for the separate audit of the Pension Fund Accounts and Annual Report was £21,000 in 2016/17 (the same as in 2014/15 and 2015/16, and this was charged to the Pension Fund Revenue Account.

<b>Non-Applicable Sections:</b>	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	LGPS Regulations 2013; LGPS (Management and Investment of Funds) Regulations 2016; Pension Fund Performance Q4 2016/17 – Pensions Investment Sub-Committee, 16 <sup>th</sup> May 2017.