

Decision Maker: Pensions Investment Sub-Committee

Date: 24th July 2018

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

Title: PENSION FUND ANNUAL REPORT 2017/18

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Chief Officer: Director of Finance

Ward: All

1. Reason for report

1.1 This report introduces the annual report and accounts of the Bromley Pension Fund for the year ended 31st March 2018, 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 32 to 33 of the Annual Report, the Funding Strategy Statement – pages 56 to 66, the Investment Strategy Statement – pages 67 to 71 and the Communications Policy Statement – pages 72 to 73). The annual report (attached at Appendix 1) has been audited by the Fund's external auditor, KPMG LLP and a draft statement from KPMG is included on page 40 of the Appendix. In accordance with the regulations, the Council will publish the Annual Report on its website by 1st December 2018.

2. RECOMMENDATIONS

2.1 The Sub-Committee is asked to:

(a) Note and approve the Pension Fund Annual Report 2017/18;

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

(c) Agree that arrangements be made to ensure publication by the statutory deadline of 1st December 2018.

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 £21k in 2017/18. Total administration cost £4.8m (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: £38.3m expenditure (pensions, lump sums, etc); £41.9m income (contributions, investment income, etc); £970.7m total fund market value at 31st March 2018)
 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): 6,198 current employees; 5,185 pensioners; 5,537 deferred pensioners as at 31st March 2018
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Ward Councillor Views

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

3. COMMENTARY

3.1 The Pension Fund is required by the Local Government Pension Scheme Regulations 2013 to publish an Annual Report and Statement of Accounts. The Regulations set out what is to be included within the report and require the report to be published by 1st December. Furthermore, the Regulations require an administering authority to have regard to guidance given by the Secretary of State and the Fund has complied fully with the Regulations and guidance. The Annual Report for 2017/18 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 32 to 33 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 56 to 66 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 67 to 71 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 72 to 73 of the Annual Report.

These statements were approved on 26th September 2017 and are kept under review in accordance with the Regulations. No changes are currently being proposed and members are therefore requested to formally re-approve these statements.

3.3 The Bromley Pension Fund had total net assets of £967.0m as at 31st March 2018 (£913.4m as at 31st March 2017). The Fund Accounts and Net Assets Statement can be found on pages 38 to 55 of the Annual Report.

3.4 Fund performance was reported quarterly to the Sub-Committee during 2017/18 and the Fund outperformed its benchmark by 3.6% over the year (+6.1% against a benchmark return of +3.1%). Performance compared to the 61 LGPS funds in the PIRC local authority universe (average return of +4.5%) was excellent, ranking in the 3rd percentile for the year (1% being the best and 100% being the worst). Rankings over the medium and long term were also excellent – 1st over 3 years, 2nd over 5 years, 1st over 10 years, and 2nd over 20 and 30 years to March 2018. Details of investment policy and performance are set out on pages 13 to 17 of the Annual Report.

3.5 Total membership of the fund increased from 16,404 as at 31st March 2017 to 16,920 as at 31st March 2018, when it comprised 6,198 employees, 5,185 pensioners and 5,537 deferred members. Payments into the Fund from contributions (employee and employer), transfers in and investment income totalled £41.6m in 2017/18 (£44.9m in 2016/17) and payments from the Fund for pensions, lump sums, transfers out and administration totalled £40.9m (£71.0m in 2016/17). Details of this can be found in the Pension Fund Revenue Account statement on page 53 of the Annual Report. The large reduction in the value of payments made during 2017/18 is mainly the result of the group transfers out of Bromley College and GS Plus during 2016/17.

3.6 The Annual Report and Accounts have been prepared in accordance with officers' understanding of the requirements of both the LGPS Regulations and the Secretary of State's guidance. The accounts have been audited by KPMG and were made available in draft form on the Council's website before the end of May 2018. At the time of writing KPMG anticipate issuing an unqualified audit opinion on the financial statements of the Pension Fund and a draft statement to that effect can be found on page 40 of the Annual Report. A final statement will be circulated to members prior to the meeting. The Annual Report has also been audited and is required to be published by 1st December.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 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 1st December.

5. FINANCIAL IMPLICATIONS

5.1 These are summarised in the body of the report and more details are provided in the relevant sections of the Annual Report. The fee for the separate audit of the Pension Fund Accounts and Annual Report was £21k in 2017/18, the same as in 2014/15, 2015/16 and 2016/17 (although a £3k refund from the PSAA in respect of the 2016/17 audit was received in 2017/18), and this was charged to the Pension Fund Revenue Account.

Non-Applicable Sections:	Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications
Background Documents: (Access via Contact Officer)	LGPS Regulations 2013; LGPS (Management and Investment of Funds) Regulations 2016; Pension Fund Performance Q4 2017/18 – Pensions Investment Sub-Committee, 22 nd May 2018.