
Decision Maker: PENSIONS INVESTMENT SUB-COMMITTEE

Date: 28th July 2020

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

Title: PENSION FUND DRAFT ANNUAL REPORT 2019/20

Contact Officer: David Dobbs, Head of Corporate Finance & Accounting
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Ward: All

1. Reason for report

- 1.1 This report introduces the draft annual report and accounts of the Bromley Pension Fund for the year ended 31st March 2020 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, the Funding Strategy Statement, the Investment Strategy Statement and the Communications Policy Statement). The draft annual report (attached at Appendix 1) is subject to audit by the Fund's external auditor, Ernst & Young LLP. In accordance with the regulations, the Council will publish the final Annual Report on its website by 1st December 2020.
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2. **RECOMMENDATION(S)**

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

- (a) Note and approve the draft Pension Fund Annual Report 2019/20;**
- (b) Approve the Governance Policy Statement, Funding Strategy Statement, Investment Strategy Statement and Communications Policy Statement as outlined in paragraph 3.2;**
- (c) Note that the final Pension Fund Annual Report 2019/20 will be reported to this Committee on 15th September 2020 following conclusion of the audit; and**
- (d) Agree that arrangements be made to ensure publication by the statutory deadline of 1st December 2019.**

Corporate Policy

1. Policy Status: Existing Policy: The Council's Pension Fund is a defined benefit scheme operate 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: Not Applicable
 2. Ongoing costs: Recurring cost. Pension Fund audit fee £21k in 2019/20. Total administration cost £5.3m (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: £43.9m expenditure (pensions, lump sums, etc); £56.8m income (contributions, investment income, etc); £1,000.3m total fund market value at 31st March 2020
 5. Source of funding: Contributions to Pension Fund
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Personnel

1. Number of staff (current and additional): 0.4 FTE
 2. If from existing staff resources, number of staff hours: c14 hours per week
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Legal

1. Legal Requirement: Statutory Requirement: Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS (Management and Investment of Funds) Regulations 2016.
 2. Call-in: Not Applicable.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Estimated number of users/beneficiaries (current and projected): 6,253 current employees; 5,592 pensioners; 5,945 deferred pensioners as at 31st March 2020
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Council Wide

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 draft Annual Report for 2019/20 is attached at Appendix 1.
- 3.2 In accordance with the Regulations, the draft 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 37 to 42 of the draft 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 66 to 87 of the draft 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 88 to 94 of the draft Annual Report; and
 - Communications Policy Statement (required by Regulation 61 of the Local Government Pension Scheme Regulations 2013). This can be found on pages 95 to 96 of the draft Annual Report.

The Governance Policy Statement and the Communications Policy Statement were approved on 24th July 2018 and are kept under review in accordance with the Regulations. The Funding Strategy Statement and Investment Strategy Statement were approved on 13th February 2020. 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 £1,007.3m as at 31st March 2020 (£1,039m as at 31st March 2019). The Fund Accounts and Net Assets Statement can be found on pages 43 to 65 of the draft Annual Report.
- 3.4 Fund performance was reported quarterly to the Sub-Committee during 2019/20 and the Fund return for the year, at -2.74%, was slightly below the benchmark of -1.98%. Performance compared to the 63 LGPS funds in the PIRC local authority universe (average return of -4.8%) was good, ranking in the 22nd percentile for the year (1% being the best and 100% being the worst). Rankings over the medium and long-term were very strong overall – 3rd over 3 years, 3rd over 5 years, 2nd over 10 years and 1st over 20 and 30 years to March 2020. Details of investment policy and performance are set out on pages 13 to 19 of the Annual Report.
- 3.5 Total membership of the fund increased from 17,432 as at 31st March 2019 to 17,790 as at 31st March 2020, when it comprised 6,253 employees, 5,592 pensioners and 5,945 deferred members. Payments into the Fund from contributions (employee and employer), transfers in and investment income totalled £62.7m in 2019/20 (£54.9m in 2018/19) and payments from the Fund for pensions, lump sums, transfers out and administration totalled £43.3m (£42.8m in 2018/19). Details of this can be found in the Pension Fund Revenue Account statement on page 65 of the draft Annual Report

- 3.6 The draft 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 are subject to audit by the Council's external auditor, Ernst & Young LLP (EY), and were made available in draft form on the Council's website before the end of August 2020 in accordance with statutory requirements.
- 3.7 At the time of writing, EY has not yet concluded its audit of the 2019/20 accounts and conclusion of the audit will be available on the publication deadline of 30th November 2020.
- 3.8 It is intended that the final, post-audited accounts will be reported to the General Purposes and Licensing Committee on 30th September 2020. The final Pension Fund Annual Report and Accounts will be reported to this Committee on 15th September 2020. The Annual Report, following conclusion of the audit, 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 (as amended), 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 2019/20, in comparison to the same fee of £21k for 2018/19 and 2017/18 (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.

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| Non-Applicable Sections: | Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications |
| Background Documents: (Access via Contact Officer) | LGPS Regulations 2013 (as amended); LGPS (Management and Investment of Funds) Regulations 2016; |