

PART 1 - PUBLIC

Decision Maker: Pension Investment Sub-Committee

Date: 10th February 2011

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

Title: WORK OF THE SUB-COMMITTEE

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Chief Officer: Director of Resources

Ward: All

1. Reason for report

1. This report reviews the role of the Sub-Committee for the benefit of new Members. The following documents are attached for information:

- Appendix 1 sets out the Sub-Committee's terms of reference, describes briefly how its functions are exercised and provides some general background for Members.
 - Appendix 2 contains some financial and membership information about the fund.
 - Appendix 3 is the fund's Governance Policy Statement.
 - Appendix 4 is the fund's Statement of Investment Principles, which sets out the framework within which the investments of the Bromley Pension Fund are managed. The Sub-Committee approved this on 8th September 2010.
 - Appendix 5 is the fund's Funding Strategy Statement, which was agreed by the Sub-Committee on 4th August 2009.
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RECOMMENDATION

The Sub-Committee is asked to:

2.1 Note the report.

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 2007, for the purpose of providing pension benefits for its employees. These regulations 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. Total administration costs estimated at £2.5m (includes fund manager/actuary fees, Liberata charge and officer time)
 3. Budget head/performance centre: Pension Fund
 4. Total current budget for this head: £31.6m expenditure (pensions, lump sums, etc); £40.3m income (contributions, investment income, etc); £482.3m total fund value at 31st December 2010)
 5. Source of funding: Contributions to Pension Fund
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Staff

1. Number of staff (current and additional): 0.6 FTE
 2. If from existing staff resources, number of staff hours: c 21 hours per week
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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2007
 2. Call-in: Call-in is not applicable.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 5,250 current employees; 4,487 pensioners; 3,864 deferred pensioners
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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 management of the Pension Fund is a non-executive function of the Council, which by law cannot be delegated to the Executive or to a portfolio holder. The Council has delegated the overall responsibility for this function to the General Purposes and Licensing Committee and responsibility for investment of the fund to the Investment Sub-Committee. These arrangements are set out in the fund's Governance Policy Statement (Appendix 3).
- 3.2 There is a note on the role of the Pensions Investment Sub-Committee at Appendix 1, which sets out its terms of reference and gives brief details about the fund, its existing investment arrangements and the Sub-Committee's working practices. This will be supplemented by presentations at the meeting by the fund's actuary on the current funding position.
- 3.3 The presentation by the actuary has been requested primarily to discuss the draft valuation report that has come out of the full triennial valuation of the fund that has been carried out as at 31st March 2010.

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 2007, for the purpose of providing pension benefits for its employees. These regulations 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.
- 4.2 The key policy issue for the Sub-Committee is to improve the funding level of the Pension Fund, i.e. the capital value of the fund's assets expressed as a proportion of the value of its liabilities. This was assessed at 81% in the actuarial valuation of the fund as at 31 March 2007 and this has increased to 84% in the draft valuation report as at 31st March 2010, which is the subject of a report elsewhere on the agenda. The fund's strategy for improving this position is set out in the Funding Strategy Statement (Appendix 5), which serves as the fund's Business Plan. The objective set in 2007 was to achieve a funding level of 100% by 2019. The deficit recovery period to be adopted following the 2010 valuation has yet to be finalised.

5. FINANCIAL IMPLICATIONS

- 5.1 The matters handled by this Sub-Committee have substantial financial implications. Investment performance of the Pension Fund is a key determinant of the level of employer's contributions, which have to be made from the General Fund and therefore have a direct impact on the council tax. The Council's employer's contributions in 2009/10 amounted to £21.5m, including £8.3m towards the funding shortfall. There are further financial details in Appendix 2.

6. LEGAL IMPLICATIONS

- 6.1 The Pension Fund is part of the Local Government Pension Scheme, which is a national scheme governed by extremely complex regulations, principally the Local Government Pension Scheme Regulations 2007. However, the regulations most relevant to this Sub-Committee are those governing investments, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

7. PERSONNEL IMPLICATIONS

- 7.1 Although employees clearly have an interest in matters affecting the Pension Fund, it is important to appreciate that their pension rights are not at risk from poor investment

performance. The level of employees' contributions and benefits is prescribed by regulations and any shortfall in the fund has to be made up from the General Fund via the employer's contributions.

Non-Applicable Sections:	None
Background Documents: (Access via Contact Officer)	Quarterly Pension Fund performance reports. Draft actuarial valuation report as at 31 st March 2010. Pension Fund Annual Report 2009/10