APPENDIX 1

LONDON BOROUGH OF BROMLEY PENSION FUND

ANNUAL REPORT 2010/11

LONDON BOROUGH OF BROMLEY PENSION FUND
ANNUAL REPORT 2010/11
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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, and to comply with regulation 34 of the Local Government Pension Scheme (Administration) Regulations SI2008 No 239.

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 Retail Prices Index for September, although the government announced in 2010 that the Consumer Prices Index would be used in future. The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not needed immediately.

In 2010, the government appointed Lord Hutton to head a commission into public sector pensions. Lord Hutton issued his report in 2011 and the key recommendations were:
- Final salary scheme to be replaced by career average scheme, but existing accrued pension rights to be honoured;
- Normal pension age to be linked to state pension age (set to rise to 66 by 2020);
- If the employer contribution exceeds a set ceiling (to be determined), there should be a review of costs, which could include the option to increase employee contributions or, alternatively, a review of the whole scheme.

The government has accepted Lord Hutton's recommendations as a basis for consultation with public sector workers, unions and others. Changes will be implemented before the end of the current parliamentary term.

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 Fund 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 Fund's managers are regulated by the Financial Services Authority (FSA). The Fund's investment managers are set individual performance targets marked against relevant market benchmarks.

2010/11 saw positive returns for markets, though these were nowhere near as good as those in 2009/10, which followed a year of negative returns after the financial crisis in 2008/09. In 2010/11, the Bromley Fund outperformed the benchmark by 1% overall, achieving a return of +9.0% compared to the benchmark return of +8.0% and the local authority universe average of +8.2%. Further details about the Fund's performance can be found on pages 8 to 12. Our investment policy is summarised on page 8 and further details are set out in the Statement of Investment Principles on pages 41 - 48.

During 2010/11, the Fund's total value rose from £447.8m at 1st April 2010 to £489.4m at 31st March 2011.

This Annual Report will be reported to the meeting of the Pensions Investment Sub-Committee on 14th September 2011.

LONDON BOROUGH OF BROMLEY PENSION FUND

MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

The Scheme

The Bromley Pension Fund is part of the national Local Government Pension Scheme (LGPS), which is a statutory final salary 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. Councillors are eligible to join the scheme at the discretion of individual councils, although councillors' pensions are based on career average Members' allowances (in Bromley the Council has decided that all councillors under 70 can elect to join).

As well as for its own employees, Bromley's Fund provides for employees who transferred from Bromley to Broomleigh Housing Association, Bromley Mytime and Beckenham Mind. These bodies are permitted under the regulations to contribute to the Fund and are termed Admitted Bodies. It also provides for non-teaching staff in the three colleges of further education within the borough (Bromley, Orpington and Ravensbourne Colleges) and these are 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 2007. 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.

Scheme 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 Finance Director) or referred to General Purposes and Licensing Committee. The Pensions Investment Sub-Committee oversees the investment of the Fund, together with a general responsibility to monitor the Fund's financial position. The Governance Policy Statement (pages 21 - 22) 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 2010 to 31st March 2011 comprised:

Councillor Nicholas Bennett (Chairman)
Councillor Paul Lynch (Vice-Chairman)
Councillor Eric Bosshard
Councillor Julian Grainger
Councillor Russell Jackson
Councillor Russell Mellor
Councillor Stephen Wells
Non-voting staff representative: Glenn Kelly

In 2010/11, the Council used the services of a number of professional advisers, including:

Actuary and scheme advisor
Barnett Waddingham LLP, 163 West George St, Glasgow, G2 2JJ
Auditors
PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
Investment managers
Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN
Fidelity Investment Management Ltd, Beechgate, Millfield Lane, Lower Kingswood, Surrey, KT20 6RP

Legal adviser
Director of Legal & Democratic 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 Legal & Democratic 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, Finance Director
Martin Reeves, Principal Accountant (Technical & Control)

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 37 - 40), 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.

Financial Performance
The Council prepares accounts as at 31st March each year, which comply with the CIPFA Code of Practice on local authority accounting 2010/11 and the provisions of Chapter 6, Section 5 “Accounting and Reporting by Pension Funds”. 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. 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 Pension Fund are recorded in the Pension Fund Revenue Account, which showed an overall surplus of £9.5m in 2010/11, compared to the budgeted surplus of £8.7m. 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 2010/11 from £447.8m as at 1st April 2010 to £489.4m as at 31st March 2011, primarily due to the continued recovery of the financial markets following significant losses in 2008/09. The Pension Fund Accounts and Net Assets Statement, together with supporting notes, are attached (pages 27 - 36).

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 scheme, we aim to provide you with good quality service and to communicate effectively. Liberata aim to:

- Respond to e-mails and written enquiries within 10 working days of receipt
  809 pieces of correspondence responded to in the last year, of which 99.67% were within the performance standard (99.51% in 2009/10)

- Process each stage of a transfer of pension rights (to or from the Scheme) within 10 days of receiving the required information
  96.83% of 150 transfer-in quotations (95.03% in 2009/10) and 99.29% of 114 transfer-out quotations (96.08% in 2009/10) issued within the performance standard

- Process retirement grants (lump sums) within 10 working days of retirement, provided that Liberata have all the necessary information
  99.75% of 287 retirement grants paid within the performance standard (97.29% in 2009/10)

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

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

Scheme membership

Fund membership as at 31st March:

	2010	2011
Employees	5,360	5,246
Pensioners - widows/dependents	710	706
- other	3,703	3,816
Deferred pensioners	3,607	3,859
Total	13,380	13,627

A list of contributing employers and details of contributions received is given in the supporting notes to the Pension Fund Accounts (pages 32 and 33).

INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Principles

In accordance with the requirements of regulation 9A of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 ("the Regulations"), as amended by SI 1999/3259 and SI 2002/1852, the Council has produced a Statement of Investment Principles (SIP). The SIP for 2010/11 was originally approved by the Pensions Investment Sub-Committee on 12th May 2009 and a slightly revised SIP was approved by the Pensions Investment Sub-Committee on 8th September 2010. This is published on the Council's website (see pages 41 - 48).

Investment Managers

Investment of the Fund is governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, 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 Pension Fund's assets. For many years until May 2006, the Council had employed just two investment managers, Fidelity Pensions Management (appointed April 1998) and Baillie Gifford & Company (appointed December 1999). A third manager, Credit Agricole Asset Management (CAAM), was appointed with effect from 1 June 2006, but this agreement was subsequently terminated with effect from 31st May 2008. The Council 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 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 41 - 48). Fidelity and Baillie Gifford operate balanced portfolios with benchmarks based on a broad 80:20 ratio of equities to bonds. These benchmarks were agreed by the former Investment Sub-Committee in 2006. Between 2006 and 2008, CAAM managed £40m of the Fund's assets on a target return basis, using two proprietary funds with a wide variety of asset classes and derivatives, but the agreement was terminated because of poor performance in May 2008. The Pensions Investment Sub-Committee is responsible for determining and reviewing the asset allocation strategy of the Fund. The asset allocation agreed in 2006 followed a comprehensive review of the Fund's strategy.

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 practice to date has been for one of the two managers to attend each meeting on an alternating basis to present a report. The Finance Director presents a separate report on investment performance to each meeting, based on data prepared by the independent WM Company. The regulations also require the authority to review periodically whether to retain their managers. The section on investment performance on pages 9 - 11 shows that Bromley's 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 it has to date been concluded that there is no reason to seek to terminate either of the current agreements.

Fees paid to the investment managers are charged to the Pension Fund, on the following bases:

> Fidelity – Base fee 0.25% of total Fund value (quarterly). Performance-related fee (annual) 25% of outperformance between 1% and 2% and 30% of outperformance above 2% over rolling three year periods (no fee on outperformance below 1%).
> Baillie Gifford – Base fee (quarterly) 0.50% of first £15m of Fund value, 0.35% of next £15m and 0.175% of remainder. No performance-related fee is payable.

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

Performance data for 2010/11

The total market value of Bromley's Fund has fluctuated considerably in the last few years. In 2002/03, the value fell by some 20% to £180m, but since then, in spite of some periods of volatility (most recently in the first and third quarters of 2008), a steady improvement was seen and the total value had increased to £357m as at 31st March 2008. In 2008/09, however, turmoil in financial markets caused the Fund value to fall to £298.1m as at 31st March 2009, a fall of 16.5% in that year. During 2009/10, it increased significantly and ended the year at £447.8m as at 31st March 2010, a gain of around 50% in the year. In 2010/11, the Fund value continued to increase and had risen to £489.4m as at 31st March 2011.

In 2010/11, the Bromley Fund as a whole returned +9.0% compared to the benchmark return of +8.0%. With regard to the local authority universe, Bromley's Fund achieved an overall ranking of 22% (the lowest rank being 100%). This comprised rankings of 54% in the March quarter, 8% in the December quarter, 6% in the September quarter and 94% in the June quarter. This represents a top-quartile return following an exceptionally good return in 2009/10. For comparison, the rankings in recent years were 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.

Before 1st April 2006, the Fund's performance was measured against the local authority average and both Baillie Gifford and Fidelity were set the target of outperforming against that average by 0.5% over rolling three-year periods. When the Fund was restructured in 2006, however, both managers were set performance targets relative to the strategic benchmarks agreed from 1st April 2006. Baillie Gifford are now required to outperform the benchmark by 1.0% - 1.5% over three-year periods, while Fidelity's target is 1.9% outperformance over three-year periods. Since then, the WM Company has measured 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. A summary of the two Fund managers' performance in 2010/11 is shown in the following table:

Quarter	Baillie Gifford		Fidelity		Total Fund		LA Ave
	Benchmark	Return	Benchmark	Return	Benchmark	Return	Return
	%	%	%	%	%	%	%
Jun-10	-8.4	-7.6	-8.4	-9.0	-8.3	-8.3	-6.7
Sep-10	9.5	10.1	9.4	9.5	9.4	9.9	8.2
Dec-10	6.2	7.5	6.1	6.3	6.1	6.9	5.7
Mar-11	1.6	1.3	1.4	1.2	1.4	1.2	1.3
Cumulative	8.2	10.7	7.8	7.1	8.0	9.0	8.2

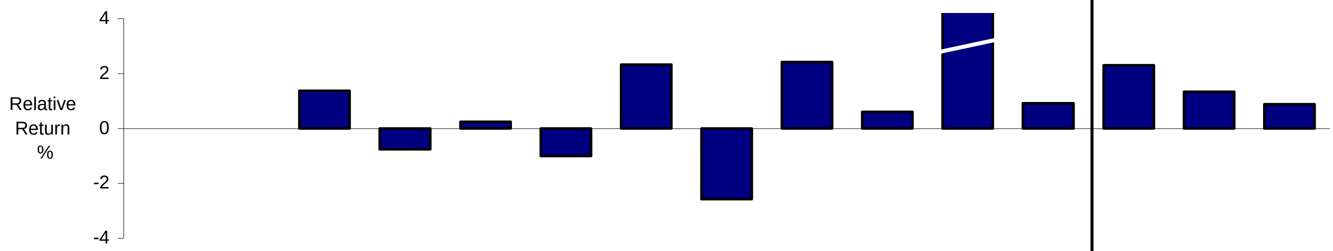
Medium and long-term performance data for Baillie Gifford and Fidelity

The first three-year period after the Fund was restructured in April 2006 was completed on 31st March 2009 and Fidelity's annualised return of -4.1% was 2.1% above benchmark (i.e. they outperformed their target by 0.2%) while Baillie Gifford's annualised return of -6.1% was 0.6% below the benchmark (i.e. between 1.6% and 2.1% below target). Further rolling three-year periods were completed on 31st March 2010 and 2011. The following table sets out comparative returns over 3, 5 and 10 years for both Baillie Gifford and Fidelity for periods ended 31st March 2010 and 2011. Baillie Gifford's superior returns in 2009/10 and 2010/11 have resulted in their 5-year and 10-year returns overtaking those of Fidelity, although Fidelity's 3-year return is still slightly better than that of Baillie Gifford. Both Fund managers' returns are significantly better than the local authority average in all periods.

	Baillie Gifford			Fidelity			
	Return	BM	+/-	Return	BM	+/-	LA Ave
	%	%	%	%	%	%	%
Periods to 31/3/10							
3 years (1/4/07-31/3/10) - annualised	7.2	4.6	2.5	7.6	3.0	4.4	1.7
5 years (1/4/05-31/3/10) - annualised	10.2	8.5	1.6	10.1	7.6	2.3	7.1
10 years (1/4/10-31/3/10) - annualised	6.9	5.8	1.1	5.0	4.1	0.8	3.8
Periods to 31/3/11							
3 years (1/4/08-31/3/11) - annualised	9.7	7.8	1.8	9.9	6.8	2.9	5.4
5 years (1/4/08-31/3/11) - annualised	6.8	5.4	1.3	6.6	4.6	2.0	4.0
10 years (1/4/11-31/3/11) - annualised	7.3	6.0	1.2	6.5	5.6	0.9	5.3

The graph below shows total Fund performance to 31st March 2011 over 1, 3, 5 and 10 years compared to the local authority universe. This shows that, in the short, medium and long-term, the Bromley Fund has performed very well in comparison to its peers (rankings of 22% in the last year, 1% over 3 years, 3% over 5 years and 2% over 10 years).

Fund Returns

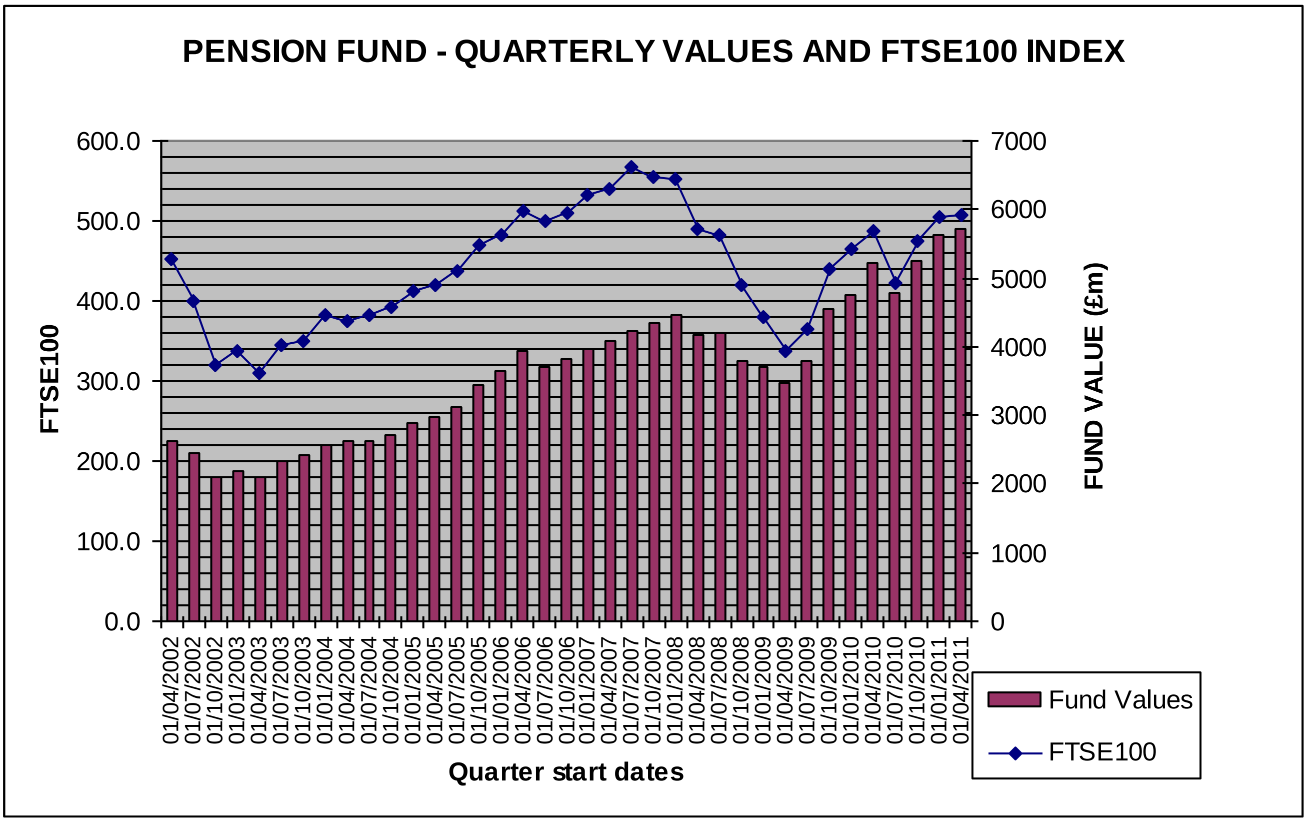


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	3yrs % pa	5yrs % pa	10yrs % pa
Fund	1.0	-20.0	23.7	10.6	27.9	2.4	1.8	-18.6	48.7	9.0	9.7	6.6	6.9
Benchmark	-0.4	-19.4	23.4	11.7	24.9	5.2	-0.6	-19.1	41.0	8.0	7.2	5.2	5.9
Relative	1.4	-0.8	0.2	-1.0	2.3	-2.6	2.4	0.6	5.5	0.9	2.3	1.3	0.9

Movements in the Fund's Market Value are shown in the following table, together with details of distributions of the revenue account surplus cash to the Fund managers and changes in the value of the FTSE 100 index. The graph below plots movements in the Fund value and in the FTSE index. Members will note that, in recent years, the total Fund value has fluctuated significantly, having reduced by 16.6% (£59m) in 2008/09 before rising to £446.4m in 2009/10 (an increase of 50% in the year). In 2010/11, it lost ground initially but had increased to £489.4m as at 31st March 2011. Also of note, although not entirely surprising, is the fact that the Fund value tracks the movement in the FTSE 100 fairly closely, even though, since 2006, only around 30% of the fund has been invested in the UK equity sector.

Market Value as at	**Fidelity**	**Baillie Gifford**	**CAAM**	**Total**	Revenue Surplus Distributed to Managers*	FTSE 100 Index
	£m	**£m**	**£m**	**£m**	£m	
31st March 2002	112.9	113.3	-	226.2	0.5	5272
31st March 2003	90.1	90.2	-	180.3	-	3613
31st March 2004	112.9	113.1	-	226.0	3.0	4386
31st March 2005	126.6	128.5	-	255.1	5.0	4894
31st March 2006	164.1	172.2	-	336.3	9.1	5965
31st March 2007	150.1	156.0	43.5	349.6	4.5	6308
31st March 2008	151.3	162.0	44.0	357.3	2.0	5702
31st March 2009	143.5	154.6	-	298.1	4.0	3926
31st March 2010	210.9	235.5	-	446.4	3.0	5680
30th June 2010	191.9	217.6	-	409.5	-	4917
30th September 2010	209.2	239.6	-	448.8	-	5549
31st December 2010	224.1	258.2	-	482.3	1.0	5900
31st March 2011	227.0	262.7	-	489.7	3.0	5909

* Distribution of cumulative surplus during the year.



Custodial arrangements

The Council 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.

SCHEME 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 21 - 22. 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 23 - 26.

Scheme 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 in the supporting notes to the Pension Fund accounts (pages 33 and 34).

Liberata UK Ltd

As administrators of the Bromley scheme, 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 in excess of 13,000 scheme members, including LB Bromley staff, non-teaching staff employed by LB Bromley, Broomleigh Housing Association, Bromley MyTime, Beckenham MIND, the Council's 3 colleges (Bromley, Orpington and Ravensbourne) 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 scheme members informed of their options.
- Provision of illustrations for transfer of members' previous pension benefits into the scheme 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 capital impact on pension fund of early payment of benefits – including one-off payments.
- Operation of special provisions of the scheme relating to elected Members who have opted to join the scheme.
- Provision of data to the Council's actuary for the annual FRS17 exercise and for triennial full valuations of the fund.
- Submission of statutory returns to government bodies as required.
- Maintenance of AXISe 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 scheme for new employers.

Key activity in 2010/11 included:

- Introduction and implementation of Self-Service functionality for all active Members.
- Valuation data prepared and submitted to actuary for triennial valuation of the Fund as at 31st March 2010.
- Provision of data to actuary in respect of prospective schools wishing to convert to academy status.
- Production of various PDF leaflets for upload to LBB website.
- Dealing with a large volume of requests for estimates from HR Department.
- Provision of Road-Shows and "One to One" consultations for Customer Service Week.
- Re-introduction of the HR Forum to improve the flow of data and communication between HR, Payroll and Pensions Teams.

Enquiries and Complaints

In order to protect Members' interests, the Council is required by the Scheme 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 3434 E-mail: pensions@bromley.gov.uk Website: www.liberata.com
London Borough of Bromley, Resources Directorate, 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, Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA	Tel: 0845 600 2537

The Pensions Advisory Service (if problems can not be resolved with pension schemes)	
11 Belgrave Road, London, SW1V 1RB	Tel: 0845 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 Pension Fund can access their own pension records online, through the AXISe Internet Member Self Service (AIMSS). 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. Forms can also be downloaded in order to update Members Expression of Wish records. Details of how to use AIMSS are available on the Council’s Intranet or from the Liberata e-mail address.

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 2010, Bromley's actuary, a partner of Barnett Waddingham LLP, determined the level of employers' contributions for the three years 2011/12 to 2013/14. 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.

In that valuation, the actuary found that the value of the Fund's assets now represented 84% of the value of its liabilities, up from 81% in 2007. The actuarially assessed position at 31 March 2010 is summarised in the table below.

Valuation	**31 March 2007**	**31 March 2010**	**% change**
	£m	£m	%
Liabilities	436.6	510.6	+16.9
Assets	354.5	429.2	+21.1
Shortfall	82.1	81.4	-0.1
Funding level	81.2%	84.1%	+3.6

The key actuarial assumptions as at 31st March 2007 and 2010 are shown below:

Financial Assumptions	**Nominal**	**Real**	**Nominal**	**Real**
Future investment returns	**% p.a.**	**% p.a.**	**% p.a.**	**% p.a.**
	2007	**2007**	**2010**	**2010**
Equities/absolute return funds	7.6	4.3	7.6	4.3
Gilts	4.7	1.3	4.7	1.3
Bonds & Property	5.4	2.0	5.4	2.0
Discount Rate	6.9	3.5	7.2	3.7
Risk adjusted Discount Rate	-	-	6.9	3.4
Pay increases	4.9	1.5	5.0	1.5
Price inflation	3.4	-	3.5	-
Pension increases	3.4	-	3.0	-0.5

The employer contribution rate in respect of future service with effect from 1st April 2011 remained at 14.7% for all London Borough of Bromley employees. In addition to contributions in respect of fund members, the Council is also required to make contributions to eliminate the Fund deficit. These have been fixed 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 (unchanged from the deficit recovery period set by the 2007 valuation. The Year 1 figure (£5.5m) represents a reduction of some £3.1m on the 2010/11 past deficit contribution set by the actuary in the 2007 valuation.

The 2010 valuation report also contained contribution rates for the other employers in the Fund, including Bromley, Orpington and Ravensbourne Colleges, Broomleigh Housing Association and Bromley MyTime, as well as for schools, which were for the first time required to repay a share of the deficit by way of increased employer contributions. A deficit recovery period of 12 years was set for all these employers, in line with the period set for the Council. Separate contribution rates were also set for those schools that had adopted academy status, with the deficit recovery for these initially set at 7 years, but subsequently increased to a maximum of 12 years in line with the period set for the Council. The Contribution Schedule set by the actuary is summarised below:

	Future Service contribution	Monetary amount (Deficit Contribution)		
		2011/12	2012/13	2013/14
	%	£000	£000	£000
LB Bromley	14.7	5,500	5,800	6,100
Beckenham MIND	24.5	n/a	n/a	n/a
Bromley College	17.0	n/a	n/a	n/a
Orpington College	17.4	n/a	n/a	n/a
Ravensbourne College	17.5	n/a	n/a	n/a
Broomleigh	28.8	n/a	n/a	n/a
Bromley Mytime	15.1	n/a	n/a	n/a
LBB Schools	22.7	n/a	n/a	n/a
Various academies	From 18.3 up to 27.1	n/a	n/a	n/a

The Fund income from employer contributions by the Council has increased steadily in recent years, principally because there has been a funding shortfall in the Bromley Fund since the early nineties. Since then there has been a programme of annual increases in employer contributions with a view to 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 strategy is to achieve a funding level of 100% by 2022 and the next full valuation (as at 31st March 2013) will be carried out during 2013/14.

The actuary's Summary Funding Statement and Rates and Adjustments certificate are attached at pages 18 and 19 - 20 respectively.

London Borough of Bromley Pension Fund – Actuarial Valuation as at 31 March 2010 - Valuation Report

Section 6. Valuation Results

6.1 Past Service Position

The following table sets out the valuation results for the Fund as a whole assuming the deficit is recovered over a 12 year period.

Past Service Funding Position	**£000**	**£000**
Asset Value		429,193
Past Service Liabilities		
Active Members	194,718	
Deferred Pensioners	70,143	
Pensioners	245,781	
Value of Scheme Liabilities		510,642
Surplus (+) / Deficit (-)		**-81,449**
Funding Level		**84.1%**

Contribution Rates	**% of payroll**
Future Service Total	14.7%
Deficit Contribution (12 years)	8.3%
Total Employer Contribution Rate	23.0%

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2010 – RATES AND ADJUSTMENTS CERTIFICATE

London Borough of Bromley Pension Fund – Actuarial Valuation as at 31 March 2010 - Valuation Report

Appendix 5 – Rates and Adjustments Certificate

Paul Dale
Director of Resources
London Borough of Bromley
Bromley Civic Centre
Stockwell Close
Bromley BR1 3UH

Dear Sirs

On your instruction, we have made an actuarial valuation of the London Borough of Bromley Pension Fund ("the Fund") as at 31 March 2010.

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 we have made an assessment of the contributions which should be paid to the Fund by the employing authorities as from 1 April 2011 in order to maintain the solvency of the Fund.

The required contribution rates are set out in the following Contribution Schedule.

Yours faithfully

Graeme D Muir
Fellow of the Faculty of Actuaries

London Borough of Bromley Pension Fund – Actuarial Valuation as at 31 March 2010 - Valuation Report

Statement to the Rates and Adjustments Certificate

The Common Rate of Contribution payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 is 23.0% of payroll.

Individual Adjustments payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates comprising the Future Service Contribution Rate and the Deficit Contribution are as set out below:

			Deficit Contribution for Year ending		
Employer Code	**Employing Authority**	**Minimum Contribution Rate as % of pensionable pay (p.a.)**	**31-Mar-12**	**31-Mar-13**	**31-Mar-14**
		% of payroll	£	£	£
1	LB Bromley	14.7%	£5,500k	£5,800k	£6,100k
3	Beckenham MIND	24.5%	-	-	-
4	Bromley College	17.0%	-	-	-
6	Broomleigh Hsg Assoc	28.8%	-	-	-
24	Orpington College	17.4%	-	-	-
27	Ravensbourne College	17.5%	-	-	-
33	Bromley MyTime	15.1%	-	-	-
	LBB Schools	22.7%	-	-	-
	Various academies	18.3% to 27.1%	-	-	-

Notes

Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumption issued by us from time to time.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by ourselves.

Barnett Waddingham LLP

LONDON BOROUGH OF BROMLEY PENSION FUND
GOVERNANCE POLICY STATEMENT

1. This statement has been published in accordance with regulation 31 of the administration regulations and was reported to the Pension Investment Sub-Committee on 10th February 2011.

2. It has been published after consultation with the other employers in the fund, namely Bromley College, Orpington College, Ravensbourne College, Broomleigh Housing Association, Bromley Mytime and Beckenham 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 Finance Director. 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 seven times per 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 per year about five weeks after the end of each quarter. 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 over 90% of the Fund's members are the financial responsibility of the Council. There is a non-voting representative of the Council's employees on the Pensions Investment Sub-Committee.

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.	Not applicable
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.	Not applicable

* 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 over 90% 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.

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	Fully compliant

	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.	

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.

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 the Committee 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 members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully compliant

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.

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 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 6/7 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 falls 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 and with the guidelines set out in the Statement of Recommended Practice (SORP): “Financial Reports of Pension Schemes”.

The accounts have to be accompanied by the independent auditor’s report and by a statement of responsibilities signed by the Finance Director. These can be found on pages 28 to 30. The Fund Account and Net Assets Statement are on page 31, supporting notes are on pages 31 to 35 and details of the Pension Fund Revenue Account are on page 36.

During 2010/11, the total net assets of the Fund value rose from £447.8m to £489.4m, as financial markets continued to recover following the turmoil that took place in 2008. The Pension Fund Revenue Account showed a surplus for the year of £9.5m and total Fund membership numbers increased in the year from 13,380 to 13,627.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCAL GOVERNMENT PENSION SCHEME (LGPS) OF LONDON BOROUGH OF BROMLEY

We have audited the pension fund accounts included in the pension fund annual report of London Borough of Bromley for the year ended 31 March 2011, which comprise the pension fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Respective responsibilities of the Finance Director and the auditor

The Finance Director is responsible for the preparation of the pension fund accounting statements which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for Bromley Council's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the pension fund; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Pension Fund Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund's accounting statements:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, of the financial transactions of the Pension Fund during the year ended 31 March 2011, and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Janet Dawson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, SE1 2RT
Date

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 Finance Director;

* 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 Finance Director's Responsibilities

The Finance Director 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 Finance Director 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 Finance Director has also:

* kept proper accounting records which were up to date;

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

Finance Director

I certify that the Pension Fund accounts set out on pages 31 - 35 of the Pension Fund Annual Report present fairly the financial position of the Authority as at 31st March 2011 and its income and expenditure for the year ended 31st March 2011.

Peter Turner
Finance Director

2009/10 £000	2009/10 £000	PENSION FUND ACCOUNT	Note	2010/11 £000	2010/11 £000
		Dealings with members and employers			
		Contributions and similar payments	**2**		
6,152		Contributions - from members		6,040	
14,410		- from employers - normal		13,275	
8,618		- deficit funding		8,929	
4,457		Transfers in		4,757	
	33,637				33,001
		Benefits	**3**		
(18,350)		Pensions		(19,223)	
(5,530)		Lump sum benefits - retirement		(5,674)	
(328)		- death		(332)	
	(24,208)				(25,229)
		Payments to and on account of leavers			
(12)		Refunds of contributions		(17)	
(4,223)		Transfers out		(2,734)	
	(4,235)				(2,751)
	(763)	**Administrative expenses**	**4**		(731)
	4,431	**Net addition from dealings with Fund members**			4,290
		Returns on investments	**5**		
7,141		Investment income		7,478	
139,256		Change in market value		32,119	
(2,185)		Investment management expenses		(2,318)	
	144,212	Net return on investments			37,279
	148,643	**Net Fund increase during year**			41,569
	299,153	Opening net assets			447,796
	447,796	**Closing net assets**			489,365

31st March 2010 £000	31st March 2010 £000	NET ASSETS STATEMENT	Note	31st March 2011 £000	31st March 2011 £000
		Investment assets	**5**		
111,971		Equities - UK		127,853	
118,585		- overseas		132,862	
	230,556				260,715
	211,646	Pooled investment vehicles			219,816
	4,148	Cash deposits held by investment managers			10,560
-		Other investment balances - sales		201	
(75)		- purchases		(1,701)	
	(75)				(1,500)
	446,275		**5**		489,591
		Current assets and liabilities	**6**		
2,076		Cash		586	
901		Current assets - sundry debtors		619	
(1,456)		Current liabilities - sundry creditors		(1,431)	
	1,521				(226)
	447,796	**Closing net assets**			489,365

The fund's financial statements include all assets and liabilities of the fund as at 31st March 2011, but do not take account of liabilities to pay pensions and other benefits after the period end.

1 General

These accounts comply with the recommendations of the CIPFA Code of Practice on local authority accounting in the United Kingdom 2010/11 and have been prepared in accordance with the provisions of Chapter 6, Section 5 "Accounting and reporting by pension funds". The Council's Pension Fund is a defined benefit Fund operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2008/09 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. A Statement of Investment Principles was approved by the Pensions Investment Sub-Committee on 8th September 2010 and is published on the Council's website.

2 Employer and Employee Contributions

(a) Contributions - general

Members contribute between 5.5% and 7.5% of pensionable salary. Some members have also made voluntary contributions to secure additional benefits. The employer pays the balance required to fund the benefits and to meet fund administration costs. Normal contributions, both from members and employers, are accounted for on an accruals basis in the payroll period to which they relate. Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, when they are received. The totals of employer and employee contributions in 2009/10 and 2010/11 are shown in the following table:

	2009/10	**2010/11**
Employer Contributions	**£000**	**£000**
L.B. Bromley part of Fund		
L.B.Bromley - normal	11,304	10,202
- deficit funding	8,300	8,600
Scheduled bodies - Foundation Schools	1,862	1,932
	21,466	20,734
Other		
Other scheduled bodies - normal	941	885
- deficit funding	201	208
Admitted bodies - normal	303	256
- deficit funding	117	121
	23,028	22,204
Employee Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	4,764	4,658
Scheduled bodies - Foundation Schools	792	835
	5,556	5,493
Other		
Other scheduled bodies	454	419
Admitted bodies	142	128
	6,152	6,040

(b) Additional Voluntary Contributions (AVCs)

In accordance with Regulation 5 (2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831), AVCs are not included in the Pension Fund accounts. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and are invested separately on behalf of those members who elect to make AVCs. Members' contributions in 2010/11 totalled £32,030 (£35,144 in 2009/10), which comprised £31,886 to Aviva and £144 to Equitable Life (£34,801 and £343 respectively in 2009/10). Up to 2010, members of the Aviva AVC scheme received an annual statement as at 31st March confirming the amounts held in their accounts and the movements in the year. From 2010/11, however, these statements have been produced and sent to Members on their birthdays and Aviva has not been able to provide the total value of benefits as at 31st March 2011 (as at 31st March 2010 it was £1,182,920). The total value of benefits in the Equitable Life AVC scheme was £234,691 as at 31st March 2011 (£284,534 as at 31st March 2010).

2 *Employer and Employee Contributions (cont)*

(c) Non- London Borough of Bromley contributors

During 2010/11, 27 scheduled and 3 admitted bodies (ie outside organisations) were permitted under the regulations to contribute to the Pension Fund. A total of 24 of the scheduled bodies were former foundation schools, which returned to Local Authority financial control in 1999/2000. In 2010/11, the scheduled and admitted bodies contributed a total of £4.784m (£3.402m from employers and £1.382m from employees). The bodies are listed below:

Scheduled Bodies - Foundation Schools

Beaverwood School for Girls
Bishop Justus CE School
Bullers Wood School
Charles Darwin School
Coopers Technology College
Crofton Junior School
Darrick Wood School
Hayes Primary School
Hayes School
Highfield Infant School
Highfield Junior School
Holy Innocents Catholic Primary School
Kelsey Park Sports College
Kemnal Technology College
Langley Park School for Boys
Langley Park School for Girls
Newstead Wood School for Girls
Raglan Primary School
Ravens Wood School
St Mary's Catholic Primary School
St Olave's & St Saviour's Grammar School
The Glebe Special School
The Priory School
The Ravensbourne School

Scheduled Bodies - Other

Bromley College
Orpington College
Ravensbourne College

Admitted Bodies

Beckenham and District Mind
Bromley Mytime
Broomleigh Housing Association

3 *Benefits*

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.

4 *Administrative Expenses*

Administrative expenses incurred by the Council and investment expenses, including fees paid to advisers, are accounted for on an accruals basis and are charged to the fund as provided by the LGPS Regulations 2008/09. A breakdown of administrative expenses is shown below.

	2009/10	**2010/11**
	£000	**£000**
Audit fee	33	35
Bank charges	16	21
Advice & other costs	29	48
Internal recharges	685	627
	763	731

5 *Returns on Investments*

(a) Investment income

Income from equities and pooled investment vehicles is accounted for on an accruals basis on the date stocks are quoted ex-dividend / interest. Investment income includes withholding taxes but excludes any other taxes, such as attributable tax credits, not payable wholly on behalf of the recipient. Withholding tax is accrued on the same basis as investment income. A breakdown of investment income is shown below.

	2009/10	**2010/11**
	£000	**£000**
Dividends from equities	7,088	7,436
Interest on securities	12	23
Internal interest on cash	41	19
	7,141	7,478

5 *Returns on Investments (cont)*

(b) Investment management fees

Investment management fees are accounted for on an accruals basis and totalled £2,318,000 in 2010/11 (£2,185,000 in 2009/10). This included a performance fee of £1,282,000 (£1,325,000 in 2009/10) payable to one of the Fund managers (Fidelity) in accordance with the terms of their agreement.

(c) Investments

All investments are managed by external fund managers. Equities traded through the Stock Exchange Electronic Trading Service are valued at bid price at the close of business on 31st March. Other quoted investments and pooled investment vehicles are also valued at the closing bid price.

The change in bid price value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits 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 includes income, net of withholding tax, which is re-invested in the Fund.

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

	Bid Price 31/03/2010	Purchases	Sales	Change in Bid Price	Bid Price 31/03/2011
	£000	£000	£000	£000	£000
Fidelity	210,858	63,529	(59,673)	12,256	226,970
Baillie Gifford	235,417	34,833	(31,793)	24,164	262,621
Total	446,275	98,362	(91,466)	36,420	489,591

The SORP requires the Council to disclose Pension Fund investments valued at over 5% of the total investment portfolio as at the end of the financial year. Details are shown below.

Baillie Gifford - none

Fidelity - Institutional UK Aggregate Bond Fund (value £37,872,251 - 7.73%)

- Institutional Europe Fund (value £28,822,030 - 5.89%)
- Institutional Exempt America Fund (value £28,275,537 - 5.78%)
- Institutional Global Focus Fund (value £29,522,582 - 6.03%)

6 *Current Assets and Current Liabilities*

Debtors and Creditors are raised for all income and expenditure outstanding at 31st March 2011, with the exception of transfers receivable and payable, which are accounted for on a cash basis. Significant items are shown below.

	2009/10	**2010/11**
Debtors (current assets)	£000	£000
Contributions due from employers	260	255
Investment income	641	352
Other	-	12
	901	619
Creditors (current liabilities)		
Fund management fees	1,447	1,416
Pension advice fees	6	15
Other	3	0
	1,456	1,431

7 *Value Added Tax*

VAT is reimbursed to the fund by HM Customs and Excise and the accounts exclude VAT.

8 *Membership as at 31 March*

	2010	2011
Employees	5,360	5,246
Pensioners - widows / dependents	710	706
- other	3,703	3,816
Deferred Pensioners	3,607	3,859

9 *The Actuarial Position of the Fund*

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2007. The Fund's Actuaries, Barnett Waddingham LLP, carried out a full valuation of the Fund at 31st March 2010, when its solvency level was calculated at 84%, an increase of 3% over the 2007 valuation. 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. The 2007 valuation also set the average contribution rate at 14.7% and specified that additional lump sum past-deficit contributions of £8m, £8.3m and £8.6m should be made in the three years ended 31st March 2009, 2010 and 2011.

A number of schools adopted academy status during 2010/11 and many more are expected to follow the same route in 2011/12. 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 12 years.

The economic assumptions employed in the 2007 and 2010 valuations are shown below.

	2007 % p.a.	2010 % p.a.
Increases in earnings	4.9	5.0
General Inflation	3.4	3.5
Increases in pensions	3.5	3.0
Investment return - Equities	7.6	7.5
- Gilts	4.7	4.5
- Bonds & Property	5.4	5.6
- Discount rate	6.9	7.2

10 *Monitoring of Fund Liabilities*

Under the Regulations, Bromley is required, as the Fund's administering Authority, to monitor factors which might lead to an increase in the liabilities of any body in the fund in excess of the actuary's assumptions. In 2010/11 the total cost of early retirement on grounds of ill-health (£94,000) was well below the actuary's assumption (£800,000), which will have a positive impact on the next valuation as at 31st March 2013.

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2009/10 £'000's	Estimate 2010/11 £'000's	Final Outturn 2010/11 £'000's
INCOME			
Employee Contributions	6,153	6,300	6,040
Employer Contributions	23,028	23,000	22,204
Transfer Values Receivable	4,457	4,000	4,757
Investment Income	7,141	7,000	7,478
Total Income	40,779	40,300	40,479
EXPENDITURE			
Pensions	18,350	19,000	19,223
Lump Sums	5,858	6,000	6,006
Transfer Values Paid	4,223	4,000	2,734
Administration	2,948	2,500	3,049
Refund of Contributions	12	100	17
Total Expenditure	31,391	31,600	31,029
Surplus/Deficit (-)	9,388	8,700	9,450

MEMBERSHIP	**31/03/2010**	**31/03/2011**
Employees	5,360	5,246
Pensioners	4,413	4,522
Deferred Pensioners	3,607	3,859
	13,380	13,627

LONDON BOROUGH OF BROMLEY PENSION FUND
FUNDING STRATEGY STATEMENT

INTRODUCTION

In accordance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239), the Council is required to prepare, publish and maintain a Funding Strategy Statement for its Pension Fund. The statement was prepared in consultation with the fund's actuaries, Barnett Waddingham LLP, and the other employers in the Fund. The Statement was approved by the former Investment Sub-Committee on 4th August 2009 and a revised version, updated to reflect the outcome of the 2010 Actuarial Valuation of the Fund, will be submitted to the Sub-Committee in September 2011.

PURPOSE OF THE STATEMENT IN POLICY TERMS

The purpose of this Funding Strategy Statement (FSS) 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
- To take a prudent longer-term view of funding those liabilities

AIMS AND PURPOSE OF THE PENSION FUND

The aims of the fund are:

- To ensure that sufficient resources are available to meet all liabilities as they fall due
- To achieve this with as stable as possible employer contributions at the minimum level agreed by the Actuary
- To manage employers' liabilities effectively
- To 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
- To pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses

As defined in the Local Government Pension Scheme Regulations 2007 and in the Local Government Pension Scheme (Management and Investment of Funds) regulations 1998.

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 fund's actuary
- Prepare and maintain a Funding Strategy Statement and a Statement of Investment Principles, both after proper consultation with interested parties
- Monitor all aspects of the Fund's performance and funding

The individual employers should

- Deduct contributions from employees' pay correctly
- 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 and early retirement strain
- Notify the administering authority promptly of all changes or proposed changes in scheme membership

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 in connection with bulk transfers and individual benefit-related matters

SOLVENCY ISSUES AND TARGET FUNDING LEVELS

The overall funding level of the Fund as at the valuation date of 31 March 2007 was 81%. The Fund's target is to achieve 100% funding by 31 March 2019. The current funding position for individual employers in the Fund is set out below, together with target funding levels to be achieved at each successive valuation. The Fund employers are the London Borough of Bromley (LBB), Bromley College (BC), Orpington College (OC), Ravensbourne College (RC), Broomleigh Housing Association (BHA), Bromley Mytime (BM) and Beckenham & District Mind (Mind).

In determining the target funding levels for the bodies other than the Council, the Council had regard to guidance on risk issued by the Chartered Institute of Public Finance and Accountancy in November 2004 and took advice from the Fund actuary. Targets of 100% at each valuation have been set for Bromley Mytime, because its sole business depends at present on retention of its contract with the Council, and for Beckenham & District Mind, because it only has one contributing employee and when this employee retires there would otherwise be issues about recovering any outstanding shortfall.

In the case of the Broomleigh Housing Association and the three colleges, the Council has concluded that it is reasonable to provide for the same deficit recovery period as for the Council itself, subject to further consideration of the position of Ravensbourne College, which is planning to relocate to a site within the London Borough of Greenwich. This could involve transfer of the college's employees to the Fund administered by the London Borough of Greenwich, unless the Secretary of State issues a direction to the effect that they should remain in the Bromley Fund. Once it is confirmed that the relocation will go ahead, the Council, in conjunction with the Fund actuary, the college and the London Borough of Greenwich, will consider options to ensure that appropriate provision is made for recovery of the college's share of the Fund deficit. The target date for relocation is September 2010.

Target	**Target Funding Level (%)**						
Date	**LBB**	**BC**	**OC**	**RC**	**BHA**	**BM**	**Mind**
31.03.07	80	89	90	75	93	100	100
31.03.10	85	92	93	81	95	100	100
31.03.13	90	95	95	88	97	100	100
31.03.16	95	97	98	94	98	100	100
31.03.19	100	100	100	100	100	100	100

LINKS TO INVESTMENT POLICY IN STATEMENT OF INVESTMENT PRINCIPLES

In the 2007 Actuarial review, the actuary assumed future investment returns of 7.6% for equities, 4.7% for gilts and 5.4% for corporate bonds, giving an assumed combined return of 6.9% based on the broad 75:25 equity / bond ratio in the Fund's asset mix at the valuation date. His assumed rate of liability growth was 6.9%, in line with those assumptions. He determined the Fund employers' contributions by reference to this assumed rate of liability growth, to the target funding levels in the table above, and to the other financial and economic assumptions set out in the Valuation Report. The Council has agreed Fund-specific benchmarks for its two balanced investment managers with an 80:20 equity / bond ratio, which is a slightly higher equity ratio than the actuary assumed in the 2007 review, and with targets to exceed the benchmark by between 1% and 1.9% per annum. Overall, therefore, the Fund's investment objectives are consistent with exceeding the actuary's assumptions by between 1% and 1.9% per annum, which, if they are achieved, would secure a 100% funding level in advance of 2019.

IDENTIFICATION OF KEY RISKS AND COUNTER-MEASURES

There are many factors that could have an adverse impact on achievement of the funding strategy and target funding levels. Some of the key potential risks are listed below, together with comments on their materiality, on the procedures for monitoring them and on measures available to mitigate them. The risks have been categorised in four main areas, i.e. financial, demographic, regulatory and governance risks.

Key Areas of Risk	**Comments on materiality, monitoring and counter-measures**
Financial	
Investment markets fail to perform in line with expectations Market yields move at variance with assumptions Investment managers fail to achieve their targets over the longer term Asset reallocations in volatile markets may lock in past losses	If actual investment returns are 1% less than assumed discount rate (6.9%) over the three years to next valuation, the funding level will be about 3% lower than planned. Further analysis in the valuation report. Investment returns to be monitored quarterly
Pay and price inflation significantly more or less than expected	On past experience, this is not a material risk in the short term
Demographic	
Longevity horizon continues to expand	Monitor at triennial reviews Support government proposals for increased employee contributions and a normal retirement age of 65
Deterioration in pattern of early retirements	Quarterly review of retirement levels Non-ill-health retirements paid for up front by Council over three years Bromley Mytime required under their admission agreement to pay for non-ill-health retirements in full up front Other employers required under statutory powers to pay for non-ill-health retirements in full up front Ill-health retirements monitored against allowance in basic contribution rates and actuary to determine revised rates if deemed appropriate Support government proposals to tighten up

	criteria for early retirement

Regulatory

Changes to regulations	Implications of the new regulations have been factored in by the actuary. Uncertainties remain, however, on items such as cost sharing.
Potential new entrants to scheme, e.g. part-time employees	Assessment of impact of successful part-time claimants in hand No other significant issues likely as a result of new Council entrants
Changes to national pension requirements and/or Inland Revenue rules	Monitor and assess as they arise Respond to consultation where appropriate

Governance

Administering authority unaware of structural changes in an employer's membership, e.g. large fall in employee members, large number of retirements	Encourage other employers to keep Council informed of changes Bromley Mytime employer's contribution rate to be reviewed annually towards end of contract Broomleigh membership levels to be reviewed annually as it is closed to new members Beckenham & District Mind has only one Fund member
Administering authority not advised of an employer closing fund to new members	All other employers apart from the three referred to above are scheduled bodies, for whom this is not an option
An employer ceasing to exist with insufficient funding	Admission Agreement with Bromley Mytime includes measures intended to maintain funding close to 100%, e.g. payment for early retirement up front, annual reviews of contribution rate towards end of contract Beckenham & District Mind funding level to be maintained at 100%
Change in status of employing body affecting its right to fund membership	Admitted bodies required under their admission agreement not to do anything to prejudice their status
Relocation of scheduled body outside the borough	Implications of planned transfer of Ravensbourne College to Greenwich to be kept under review

LONDON BOROUGH OF BROMLEY PENSION FUND
STATEMENT OF INVESTMENT PRINCIPLES

Introduction

This statement has been produced in accordance with the requirements of regulation 9A of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 ("the Regulations"), as amended. The Regulations provide that an administering authority must, after consultation with such persons as they consider appropriate, prepare, maintain and publish a written statement of the principles governing their decisions about investments. The Regulations specify seven issues that must be addressed in the statement. This was approved by the Pensions Investment Sub-Committee on 8th September 2010 and a revised version, updated to reflect the outcome of the 2010 Actuarial Valuation of the Fund, will be submitted to the Sub-Committee in September 2011. The following sections of this statement address the seven 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 attached on page 43.

(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 last comprehensively revised in 2006. Details of the two balanced managers' benchmarks are attached at page 44. The Investment Sub-Committee will review its asset allocation strategy every three years.

(c) Risk

At the last valuation date of 31 March 2007, the actuary valued the Fund's assets at 81% of the fund's liabilities. He determined employers' contribution rates with a view to achieving 100% solvency over a 12-year period, assuming a broad 75:25 asset allocation between equities and bonds as at the valuation date. The Investment Sub-Committee has adopted a slightly more aggressive 80:20 allocation in the benchmarks for its two balanced managers and has set targets to out-perform the benchmarks by between 1% and 1.9%. 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 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 2007 actuarial review. The nominal and real returns assumed per annum were:

Expected returns	Nominal	Real
	%	%
Equities	7.6	4.3
Gilts	4.7	1.3
Corporate Bonds	5.4	2.0
Overall Returns (discount rate)	6.9	3.5

(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. 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 has decided to take no action at this time in developing an ethical investment policy.

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 Council 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 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 issues 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.

Compliance with CIPFA Pensions Panel Principles

Under amending regulations issued in 2002 (SI 2002/1852), the statement must also

(a) state the extent to which the administering authority comply with the principles of investment practice set out in the document published in April 2002 by the Chartered Institute of Public Finance and Accountancy, and called "CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom (Guidance note issue No. 5); and

(b) give the reasons for not complying where they do not do so.

These requirements are covered on pages 45 - 48.

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% [N.B. In practice, because neither of the investment managers will use unit trusts or OEICs managed by the other, they may invest up to 70% or thereabouts of their own portfolios in their own unit trusts and OEICs]
- 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, 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

Benchmarks for the Balanced Managers

(a) Baillie Gifford

Asset class	Allocation	Range	Index
	%	%	
Equities	(80)	70-90	
UK	25		FTSE All Share
Overseas	(55)		
US	18		FTSE AW North America
Europe	18		FTSE W Europe ex UK
Dev Asia (inc Japan)	9.5		FTSE AW Developed Asia Pacific ex Japan
Emerging	9.5		FTSE Emerging
Bonds	(18)	10-30	
UK gilts	9		FTSE Government Securities UK Gilts All Stocks
Other	9		Merrill Lynch Sterling Non Gilt
Cash	2		
Total	100		

Baillie Gifford's performance target is to exceed the composite benchmark returns by 1.0-1.5% per annum gross over rolling three-year periods.

(b) Fidelity

Asset class	Allocation	Range	Index
	%	%	
Equities	(80)		
UK equities	35	30-40	FTSE All Share
Overseas	(45)		
US	12.5	7.5-17.5	S&P 500
Europe	12.5	7.5-17.5	MSCI Europe ex UK GDR
Japan	5	0-10	TOPIX
Asia	5	0-10	MSCI AC Asia Pacific ex Japan
Global	10	5-15	MSCI World GDR
Bonds	(20)		
UK aggregate	20	5-15	Iboxx Sterling Overall Bond
Total	100		

Fidelity's performance target is to exceed the composite benchmark returns by 1.9% per annum over rolling three-year periods.

Compliance with Myners Principles

This addendum has been published in accordance with regulation 9A (3A) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended by S.I. 2002/1852, which came into force on 9th August 2002.

Under this regulation, the Council is required to state the extent to which it complies with the principles of investment practice set out in the document published in April 2002 by the Chartered Institute of Public Finance and Accountancy, and called “CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom (Guidance note issue No. 5)”. This document was published in response to the recommendations of the Review of Institutional Investment in the United Kingdom undertaken by Paul Myners.

The principles were updated through a Treasury report in October 2008, “Updating the Myners’ Principles: A Response to Consultation”. This report set out six investment governance principles (previously there were ten) that the Council is required to comply with and these are shown below, together with the Council’s position on compliance *(in italics)*:

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.

Key points:

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, the use of professional advisors where necessary and in accordance with the Council’s constitution and Fund’s compliance procedures. The training requirements of Pensions Investment Sub-Committee members and officers is reviewed on an ongoing basis.

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.

Key points:

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 at least every six months. The Fund's overall investment objective, as recorded in its Funding Strategy Statement, is to achieve 100% funding of its liabilities by 31 March 2022, compared with 84% as at 31 March 2010.

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 agreed 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 (see pages 39 - 40).

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 regular communications on the Fund's activities and performance. A comprehensive Annual Report is produced, which includes the Council's formal Communications Policy Statement (see pages 49 - 50). 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 67 of the administration regulations 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 Finance Director.
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 Scheme accompany this.	Production & distribution - Liberata.

	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 Finance Director.
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.	Finance Director
Consultative documents	Consultative documents issued by ODPM are distributed to employing authorities where relevant.	Finance Director