

COMMITTEE: Pensions Committee	DATE: 15 November 2012	CLASSIFICATION: Unrestricted	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director of Resources ORIGINATING OFFICER(S): Oladapo Shonola – Chief Financial Strategy Officer		TITLE: 2011/12 Local Government Pension Fund Annual Report Ward(s) affected: N/A		

Lead Member	Cllr Alibor Choudhury - Resources
Community Plan Theme	All
Strategic Priority	One Tower Hamlets

1. SUMMARY

- 1.1 This report presents the audited final Pension Fund Statement of Accounts for 2011/12.
- 1.2 The 2011/12 statement of accounts have been prepared under International Financial Reporting Standards (IFRS) rules and are now presented for approval by the Pensions Committee.
- 1.3 The final Pension Fund Statement of Accounts is similar to the draft accounts presented to the 20 September 2012 Pensions Committee other than for some minor formatting to improve presentation.

2. DECISIONS REQUIRED

Members are recommended to approve the:

- a) 2011/12 final Pension Fund Statement of Accounts;
- b) Pension Fund Annual Report
- c) Funding Strategy Statement;
- d) Statement of Investment Principles.

3. REASONS FOR DECISIONS

The Local Government Pension Scheme (Administration) Regulation 2008 requires the Authority as the administering body for the London Borough of Tower Hamlets Pension Fund to publish an annual report by 1 December following the year end.

The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance and also helps to demonstrate effective management of Fund assets.

4. ALTERNATIVE OPTIONS

The final Pension Fund Annual Report and Statement of Accounts are presented to Members following the conclusion of the audit carried out by the Council's external auditors, the Audit Commission.

There are no alternative options in so far as the publication of the Statement of Accounts and Annual Reports is a legislative requirement.

5. BACKGROUND

- 5.1 The Council as an administering authority under the Local Government Pension Scheme Regulations is required to produce a separate set of accounts for the scheme's financial activities and assets and liabilities.
- 5.2 The contents and format of the accounts are determined by statutory Requirements and mandatory professional standards as established by the Chartered Institute of Public Finance (CIPFA) in their Statement of Recommended Practice (SORP).
- 5.3 The Pension Fund Accounts audited by the Council's external auditors, the Audit Commission is now complete and the final report is attached.
- 5.4 Communities and Local Government (CLG) have introduced an additional requirement for Councils to publish before 1 December each year an annual report which incorporates elements of the financial accounts for the preceding financial year. The pension fund annual report will be published after it has been presented and agreed by this Committee.

6. THE ANNUAL REPORT AND STATEMENT OF ACCOUNTS

- 6.1 The Accounts comprise two main statements with supporting notes. The main statements are:
- Dealings with Members Employers and Others which is essentially the funds revenue account
 - The Net assets Statement which can be considered as the funds balance sheet.
- 6.2 The return on investment section of the Accounts sets out the movement in the net worth of the fund in the year by analysing the relevant financial transactions and movements in the market value of the investment portfolio. The statement has two main sections:
- The financial transactions relating to administration of the fund.
 - The transactions relating to its role as an investor.
- 6.3 The fund income section of the Report principally relates to the receipt of contributions from employers and active members and the payment of pensions. The section indicates that the Fund is cash positive in that the receipt of contributions exceeds the pension payments by £3.7m in 2011/12 compared to £10.6m in 2010/11. This equates to a significant drop in funding, and is a consequence of a reduction in active members of 434 (7.6%) and increases in deferred and retired membership numbers of 459 (8.2%) and 150 (3.8%) respectively.
- 6.4 The investment performance section of the Report details returns on the investment portfolio and the impact of managers' activities and investment markets on the value of investments. The Fund achieved a return on its investment portfolio of 1.4% in 2011/12 slightly lagging the benchmark of 1.8%. Returns for longer periods continue to lag benchmark at 0.8% and 0.3% for 3 years and 10 years respectively.
- 6.5 Overall, fund assets increased by £15.2m mostly due to gains made from performance of financial markets in which the Fund held its investments and a net gain between fund income and expenditure.
- 6.6 The net asset statement represents the net worth of the fund as the 31st March 2012. The statement reflects how the transactions outlined in the other statement have impacted on the value of the fund's assets.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

7.1. The comments of the Corporate Director Resources have been incorporated into the report.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008 imposes a duty on the Council as an administering authority to prepare a pension fund annual report.

The report should deal with the following matters:

- management and financial performance during the year of the pension;
- an explanation of the investment policy for the fund and a review of performance;
- a report on arrangements made during the year for administration of the fund;
- a statement by an actuary who carried out the most recent valuation of the fund and the level of funding disclosed by that valuation;
- a Governance Compliance Statement;
- a Fund Account and Net Asset Statement;
- an Annual Report dealing with levels of performance and any other appropriate matters;
- the Funding Strategy Statement;
- the Statement of Investment Principles;
- statements of policy concerning communications with members and employing authorities; and
- any other material which the authority considers appropriate.

9. ONE TOWER HAMLETS CONSIDERATIONS

9.1 The Pension Fund Accounts demonstrate financial stewardship of the fund's assets. A financially viable and stable pension fund is a valuable recruitment and retention incentive for the Council.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

10.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

11. RISK MANAGEMENT IMPLICATIONS

11.1 Accounts provide an effective mechanism to safeguard the Council's assets and assess the risks associated with its activities.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 There are no any Crime and Disorder Reduction implications arising from this report.

13. EFFICIENCY STATEMENT

13.1 The monitoring arrangement for the Pension Fund and the work of the Pension Fund Investment Panel should ensure that the Fund optimises the use of its resources in achieving the best returns for members of the Fund.

local government act 1972 (AS AMENDED) SECTION 100D

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

Name and telephone number of
holder
And address where open to
inspection