

Pension Fund Accounts  
For 2010/2011

A summary of the fund

**Published September 2011**

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- annual accounts
- investment management arrangements
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## Introduction

The council operates a pension fund on behalf of its employees and pensioners under the provisions of the Local Government Superannuation Acts and Regulations. The fund is operated for the purpose of providing pension benefits to employees of the council and the admitted bodies in the pension fund. The fund provides retirement pensions and lump sum retirement grants, as well as death grants and pensions for a surviving spouse, nominated co-habiting partner, or civil partner and children's pensions. The fund is financed by contributions from the scheme members, the council and the admitted bodies and by interest, dividends and other gains from investments.

## Membership of the Fund

The membership of the fund at the balance sheet date was as follows:

	31 March 2010	31 March 2011
Contributing Employees	4,176	4,064
Pensioners	4,055	4,285
Deferred Pensioners	4,900	5,217

Certain council employees, largely former ILEA employees, are members of the London Pension Fund Authority Scheme, whilst teachers are members of the Teachers' Pension Scheme. All new council employees (except teachers) automatically join the fund.

**Employees who have previously elected not to join the scheme are encouraged to reconsider their position and to contact the pensions team if they wish to join.**

## Contributions to the Fund

All employees contributing to the fund in 2010/2011 were required to pay contributions on a sliding scale according to earnings except for those protected manual workers who were paying 5% contributions before 1<sup>st</sup> April 2008. Their contributions will increase on a phased basis over the next three years. From 1<sup>st</sup> April 2011 the contribution rate for all members will be harmonised. The pay band ranges are shown for 2010/11 are shown below.

<b><u>Whole Time Rate of Pay (Per Annum)</u></b>	<b><u>Contribution rate of:</u></b>
Up to £12,600	5.5%
£12,600.01 - £14,700	5.8%
£14,700.01 - £18,900	5.9%
£18,900.01 - £31,500	6.5%
£31,500.01 - £42,000	6.8%
£42,000.01 - £78,700	7.2%
More than £78,700	7.5%

Employee contributions enjoy full tax relief and, in addition, reduced National Insurance contributions for the contributor. The council makes contributions, determined by the fund's actuary to maintain the solvency of the fund (24.7% of pay for 2010/11). The council, by regulation, has to have a full actuarial review of the fund every three years. As at 31<sup>st</sup> March 2010, the fund was 74% (70 % at 31<sup>st</sup> March 2007) of the fund's accrued liabilities.

## Management of the Fund

The Audit and Pensions Committee, oversees the management and performance of the fund's investments and the administration of benefits to employees. The committee comprises six councillors (including two opposition party councillors) and has trade union, admitted and scheduled bodies' representatives as observers. The committee is advised by the director of finance and corporate services, the fund's actuary, and an external specialist advisor.

The council uses external fund managers to manage the fund's investments. The finance and corporate services department's business support section monitors the managers' activities and prepares the fund's accounts.

## Market value of the Fund

A summary of the market value of the fund as at 31 March for the last two years follows:

	31 <sup>st</sup> March 2010 £000s	31 <sup>st</sup> March 2011 £000s
<b>Investment Assets</b>		
Fixed Interest Securities – Public Sector	0	0
Fixed Interest Securities – Private Sector	0	0
Index Linked Securities – Public Sector	12,708	11,871
Index Linked Securities – Private Sector	0	0
Equities – UK	90,968	96,072
Equities – Overseas	155,973	164,106
Pooled Investment Vehicles		
Managed Funds – UK Fixed Interest	61,005	63,331
Managed Funds – UK Equities	56,232	62,786
Managed Funds – Overseas Equities	904	865
Managed Funds – Libor Plus 1 Fund	58,095	59,254
Managed Funds – Cash Fund	0	0
Managed Funds – Illiquid Strategies Fund of Funds	1,399	1,740
Managed Funds – Dynamic Asset Allocation Fund	102,112	108,900
Managed Funds – Real Return Fund	1,486	0
Managed Funds – Red Kite Fund	0	648
Managed Funds – Ruffer Baker Steel Gold Fund	1,768	2,504
Managed Funds – Private Equity	9,199	12,628
Cash Deposits	4,570	8,379
Other Investment Balances	412	1,080
<b>Total Investment Assets</b>	<b>556,831</b>	<b>594,164</b>
<b>Current Assets</b>	240	234
<b>Cash Balances</b>	(370)	1,875
<b>Current Liabilities</b>	(2,387)	(555)
<b>Total Assets</b>	<b>554,314</b>	<b>595,718</b>

## Investment Performance

The council utilises an external organisation to monitor the investment performance of the overall fund and the external fund managers against specific benchmarks.

In the last year, the total value of the pension fund rose by £37.3 million due to the rise in stock markets around the world. The performance compared to the benchmark is as follows:

	2010/11 %	2009/10 %	3 Years %pa.	5 Years %pa.
Fund	6.4	33.1	8.8	6.3
Benchmark	8.6	14.0	2.1	1.8
Difference	-2.2	19.1	6.7	4.5

## Administration Performance Targets

The London Pension Fund Authority (LPFA) performed the pensions administration function on behalf of the London Borough of Hammersmith & Fulham but from 1<sup>st</sup> October 2011 it will be performed by Capita Hartshead and they will work to the following performance targets. A welcome letter from Capita Hartshead will be sent to all members in October. The pension payroll function will still be performed by the Council.

<u>Work Area</u>	<u>Target (Working Days)</u>
Payment of Death Grant	3 Days
Calculation of Retirement Benefit	3 Days
Transfers In	5 Days
Correspondence	5 Days
Transfers Out	5 Days

## Further Scheme Details

The Local Government Pension Scheme (LGPS) is a defined benefit pension scheme, also known as a final salary pension scheme, where the benefits payable are calculated using the member's final salary and length of scheme membership and are not directly linked to the investments of the scheme.

The scheme provides an annual pension which increases annually in line with the Consumer Price Index lump sum benefits can also be received. The scheme also provides for early payment of benefits due to permanent ill health and provides for early payment of benefits after age 55 subject to employer agreement. The scheme also provides for death in service lump sums and pensions for spouses, civil partners, nominated cohabiting partners and children.

For up-to-date information about the Local Government Pension Scheme, its benefits and other general pension issues visit the UK national website at <http://www.lgps.org.uk>

## Summary of Annual Accounts

	2009/2010 £000s	2010/2011 £000s
<b><u>CONTRIBUTIONS &amp; BENEFITS</u></b>		
<b>INCOME</b>		
Contributions		
Contributions from Employers	24,425	24,924
Contributions from Employees	7,576	7,564
Transfer values received for new employees	3,267	6,746
Other income	29	45
<b>EXPENDITURE</b>		
Payment of pensions, lump sums and other benefits	(28,753)	(26,831)
Transfer values paid for ex-employees	(4,985)	(4,693)
Administration and other expenses	(947)	(902)
Other expenditure	0	(13)
<b>Net return on contributions and benefits</b>	<b>612</b>	<b>6,840</b>
<b><u>RETURN ON INVESTMENTS</u></b>		
Investment income	8,869	7,612
Change in market value of investments	127,664	29,888
Investment management expenses	(3,702)	(2,936)
<b>Net return on investments</b>	<b>132,831</b>	<b>34,564</b>
Net increase in the fund during the year	<b>133,443</b>	<b>41,404</b>
Market value at beginning of year (1 April)	<b>420,871</b>	<b>554,314</b>
<b>Market value at the end of the year (31 March)</b>	<b>554,314</b>	<b>595,718</b>