

THE ASSEMBLY

8 DECEMBER 2010

REPORT OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

Title: Local Government Pension Scheme Annual Report 2009/10		For Information
Summary: The purpose of this report is for the Assembly to note the Annual Report of the London Borough of Barking and Dagenham Local Government Pension Scheme for 2009/10. Wards Affected: All		
Implications: Financial: The report considers the performance of the Pension Fund, which has financial implications on the Council as an employer in the fund and as administering body for the fund. However, there are no direct financial implications in approving this report. Legal: There are no legal issues arising from this report. Risk Management: The risk management considerations are built into the Pension Panel's terms of reference. There are no specific risks arising from this report. Social Inclusion and Diversity: There are no specific adverse impacts insofar as this report is concerned. Crime and Disorder: There are no specific implications insofar as this report is concerned. Options Appraisal: There are no specific implications insofar as this report is concerned.		
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LONDON BOROUGH

OF

BARKING AND DAGENHAM

2009/10

PENSION FUND

ANNUAL REPORT

1.0 INTRODUCTION

1.1 This report provides information for employers, members of Pension Fund and other interested parties on how the London Borough of Barking and Dagenham Pension Fund ("Pension Fund") has performed and been managed during the year 1 April 2009 to 31 March 2010.

As at 31 March 2010, 8 employers in the Fund currently have active members; this amounts to the current number of contributing members in the Fund of 5,495. Two new employers are soon to join the Fund.

During the year the market value of the Pension Fund assets increased by £136m to £549m. However the overall investment return for the year was 32.4%, compared to the Pension Fund's combined benchmark return of 35.0%

1.2 Statutory Background and Legal Framework

The London Borough of Barking and Dagenham Pension Fund is part of the Local Government Pension Scheme (LGPS). It is a statutory scheme. A new set of regulations governing the Scheme was introduced from 1 April 2008 and further updates to the Scheme became effect from December 2009.

The Scheme is run by the London Borough of Barking and Dagenham the Administering Authority in accordance with these regulations.

2.0 MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

2.1 Scheme Management and Advisers as at 31 March 2010 is as below:

Administering Authority London Borough of Barking & Dagenham

Administrator Tracie Evans, Director of Finance & Resources

Pension Panel as at 31 March 2010
Cllr Graham Bramley (Chairman)
Cllr Evelyn Carpenter
Cllr Shaun Carroll
Cllr Alok Agrawal

Following the general election in May 2010, the composition of the pension panel as at 19 May became:

Cllr Cameron Geddes (Chairman)
Cllr James Ogungbose
Cllr Jeff Wade
Cllr Tariq Saeed

Union Representative Miles Dowdell (GMB)

Investment Managers
Alliance Bernstein Institutional Investments
Goldmans Sachs Asset Management
Aberdeen Asset Management
RREEF

The Fund has since purchased investments in Schrodgers Property Indirect Real Estate Fund and M&G UK Companies Financing Fund LP

Additional Voluntary Contribution provider (AVC)	Prudential PLC
Custodian	State Street Bank & Trust Company
Investment Advisor	Hymans Robertson LLP
Actuary	Hymans Robertson LLP
Auditor	Audit Commission
Performance Measurement	State Street Global Services
Legal Advisors	LBBB Legal Partners (The Pension Fund uses the council's legal team and in some cases may use an external legal team for specific projects)

2.2 Administering Authority Report

2.2.1 London Borough of Barking and Dagenham (the "Council") is the Administering Authority of the Pension Fund and administers the Scheme on behalf of the participating employers of the Fund, past and present contributing members and their dependants as well as members who have currently frozen or deferred their pension benefits.

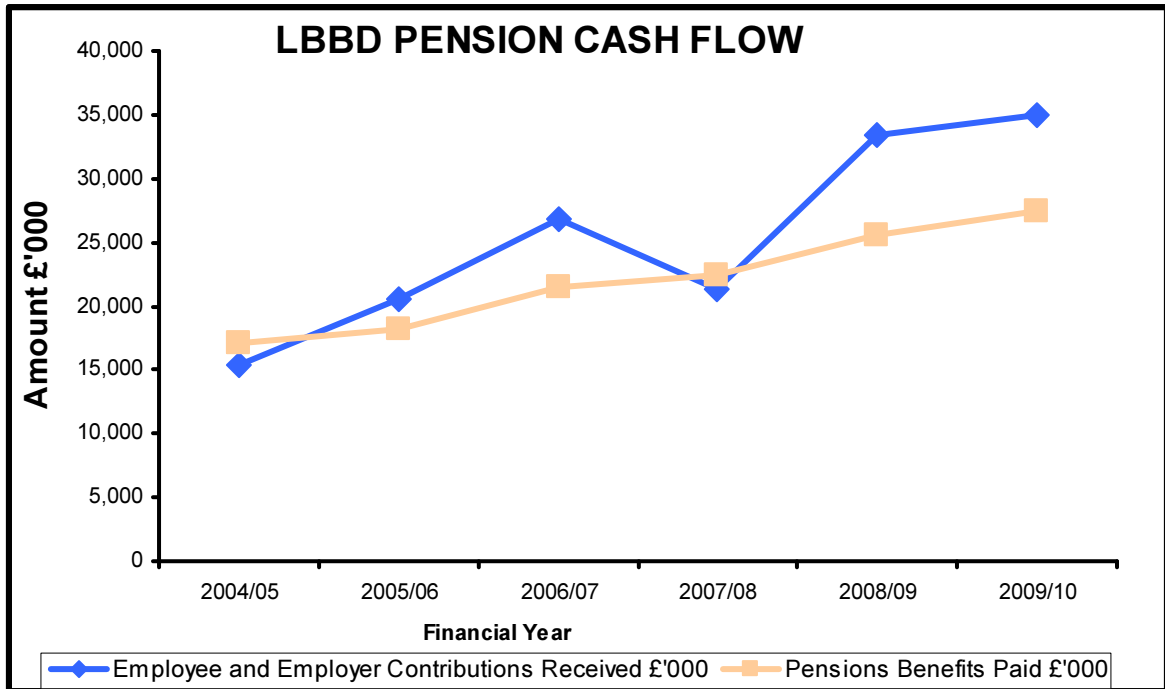
2.2.2 Funding

The Scheme is a funded scheme, financed by contributions from the Council, other employers, and employees and by investment income and capital growth of the Fund's assets.

Staff and employers both contribute to the assets within the pension fund, in the form of employees and employers contributions. The Fund balance is invested in stocks and shares, fixed interest investments, and property, both in the United Kingdom and overseas. In 2009/10, these funds were managed by four external fund managers, Aberdeen Asset Management, Goldman Sachs Asset Management, Alliance Bernstein Institutional Investments and RREEF limited. The Pension Fund has since purchased two other investments – Schrodgers Property Indirect Real Estate Fund and Prudential/M&G UK Companies Financing Fund LP.

2.2.3 Scheme Cash Flow

The chart below shows how despite the changes in both income and expenditure the Fund continues to maintain sufficient cash balances to meet its day-to-day liabilities.



2.3 Changes affecting the LGPS during 2009/10 and current developments

A number of changes came into effect in 2009/10 and there are a number of changes which are expected to take place as a result of economic pressures. Some of these are:

The Independent Public Service Pensions Commission (IPSPC) led by John Hutton published an interim report on 7 October. The report highlights the importance of providing good quality pensions to public servants, and concludes that there is a clear rationale for public servants to make a greater contribution if their pensions are to remain fair to taxpayers and employees, and affordable for the country.

Pensions increase index linking from 2011 – in his budget of 22 June, the Chancellor described a range of possible cost saving measures linked to public service pensions from April 2011. This included the possibility of indexing pensions in payment with the Consumer Price Index (CPI) rather than the current index used, the Retail Price Index (RPI). The link to RPI has always been outside of LGPS legislation. Increases are contained within the Pensions Increase Act 1971 and 1974 and the LGPS is subject to annual increase orders.

New tax rules for 2011 – the major changes are a reduction in the Annual Allowance (AA) to £50,000 from 1 April 2011 and reduction in the Lifetime Allowance (LTA) to £ 1.5m from 1 April 2012

LGPS (Miscellaneous) Regulations 2009 – this came into force on 31 December 2009 and made a number of significant changes to the 2008 Scheme regulations.

The rates and salary bandings applicable during 2009/10 are shown in the table below.

Band	Range	Contribution Rate
1	£0 to £12,600	5.5%
2	£12,601 to £14,700	5.8%
3	£14,701 to £18,900	5.9%
4	£18,901 to £31,500	6.5%
5	£31,501 to £42,000	6.8%
6	£42,001 to £78,700	7.2%
7	More than £78,700	7.5%

Employers contributions are payable at rates specified by the Pension Fund's Actuary following each triennial valuation. Rates are adjusted to reflect any surplus or short fall in the Pension Fund.

2.4 Summary of Benefits

The Scheme is a defined benefit salary scheme which guarantees to provide benefits which are a specified fraction of a Scheme member's "final-pay". Benefits are not affected by variations in investment performance.

2.5 Additional Voluntary Contributions AVC

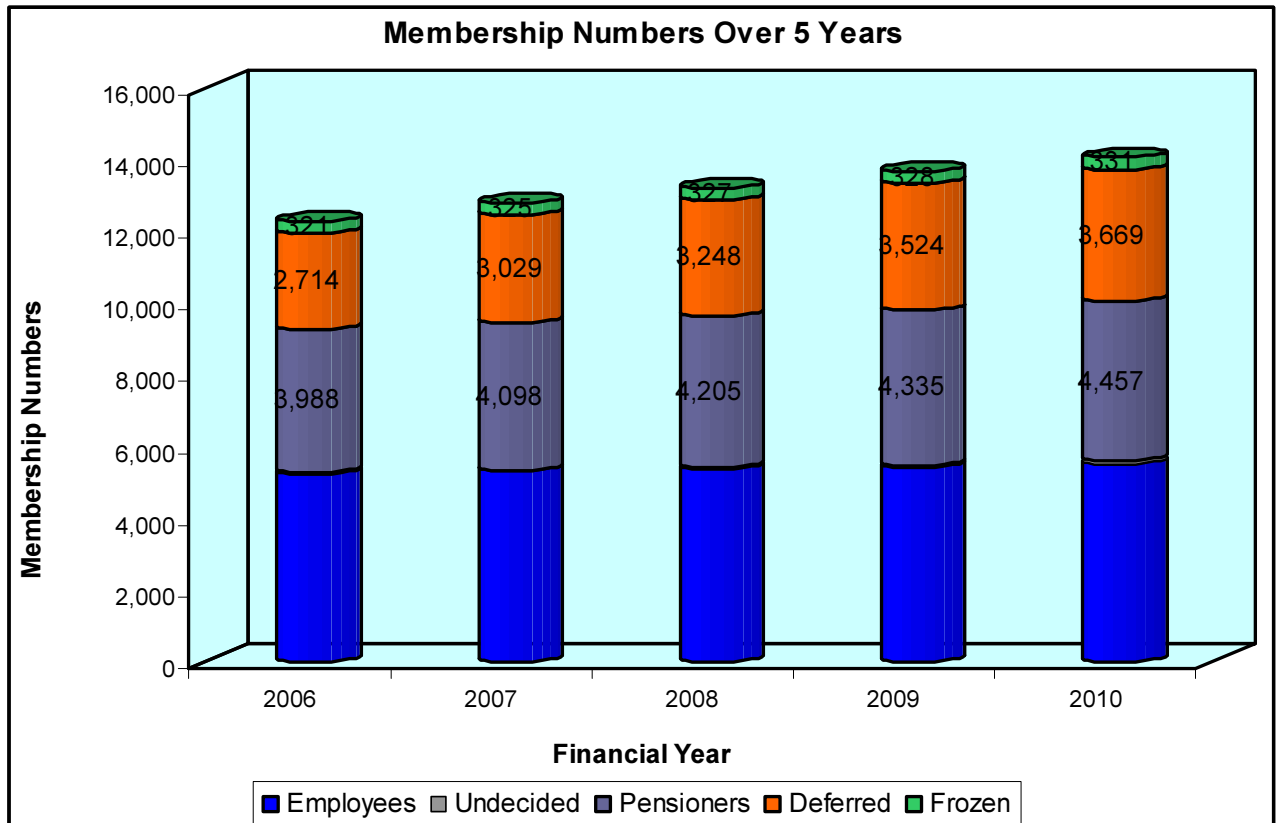
Scheme members may also elect to pay additional contributions to be invested in an Additional Voluntary Contribution Scheme. The London Borough of Barking and Dagenham have chosen Prudential as its AVC provider.

2.6 Dispute Resolution

The LGPS is required by statute to make arrangements for the formal resolution if disagreements between, on the one hand, the managers of the Scheme and on the other, active deferred and pensioner members or their representatives. There is therefore a two stage dispute resolution procedure.

2.7 Scheme Membership

The chart below shows the membership of the fund over 5 years.



All Council's employees, except those covered by the Teachers Pension Scheme Regulations can join the Authority's Pension Scheme. The LGPS regulations also provide for specified bodies (employers) to be admitted in to the Fund.

2.8 Employers

The Scheme had 12 employers as at 31 March 2010, of which the Council is the administering body. 3 employers currently had no active members in the Fund and 4 employers had no pensioners in the Fund.

Details of employer organisations are as follows:

Administering Body London Borough of Barking & Dagenham

Scheduled Bodies University of East London
Barking College
Magistrate Court

Admitted Bodies Barking College for Voluntary Services;
Age Concern Barking and Dagenham;
Abbeyfield Barking Society;
Disablement Association for Barking and Dagenham;
Barking and Dagenham Citizen's Advice Bureau;
London Riverside;
Thames Accord; and
East London E-Learning.

The Council's contract with Age Concern Barking & Dagenham has since ceased as at 1 April 2010.

2.9 Risk Management

The council has key pension fund risk incorporated in its corporate risk register. In addition the Pension Fund has an active risk management programme in place and adopts the recommendations of the 2008 Myners principles. The measures that the administering authority has in place to control key risks are summarised below under the following headings:

- Financial;
- Demographic;
- Longevity;
- regulatory; and
- governance

A copy of the Council's risk register is available on request.

2.10 Management of third Party Risks

The Pension Panel reviews annually all SAS70 and AAF 01/06 reports for its investment managers and custodian. Where there are concerns the Panel contacts the fund manager for steps it has taken to mitigate risks or issues raised by third party auditors.

All employers are regularly informed of the statutory duty to ensure that contributions are received by the Administering Authority on time. In 2009/10 one employer in the Fund went into administration.

2.11 Financial Performance

The Pension Fund prepares a three year plan of its funding. This report is known as the funding strategy statement. The purpose of the Funding Strategy Statement is as follows:

- 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 consistent employer contributions as possible; and
- To take a prudent longer-term view of funding those liabilities.

Admitted bodies are usually circulated with valuation results for comments and agreement on contribution rates. Their responses are considered in preparing the Funding Strategy Statement for the Fund.

A detailed copy of this report can be obtained on request. This document is also available on the council's website.

2.12 Monitoring of Fund's Funding Position

The Administering Authority monitors the funding position, between valuation dates, allowing for actual investment returns and changes in financial assumptions (such as liability discount rate) caused by changes in market conditions. This navigation report is prepared by the Fund's actuary Hymans Robertson. In addition specific inter-valuation monitoring for individual employers may be undertaken if requested by the employer. The Council as the largest employer in the Fund undertakes this inter-valuation monitoring annually. The Council will results of the 2010 actuarial valuation will not be known until the end of 2010.

3 INVESTMENT POLICY AND PERFORMANCE REPORT

3.1 Powers of Investment

The principle powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund.

3.2 Investment Strategy

The London Borough of Barking and Dagenham as Administering Authority is responsible for setting the overall investment strategy of the Pension Fund and monitoring of investment performance. This task is carried out by the Pension Panel on behalf of the Fund. The investment strategy is usually set for the long-term, but reviewed periodically by the Panel to ensure that it remains appropriate to the Fund's liability profile. The investment strategy of the Fund is usually known as the Statement of Investment Principles (SIP). A copy of this document can be found on the Council's website.

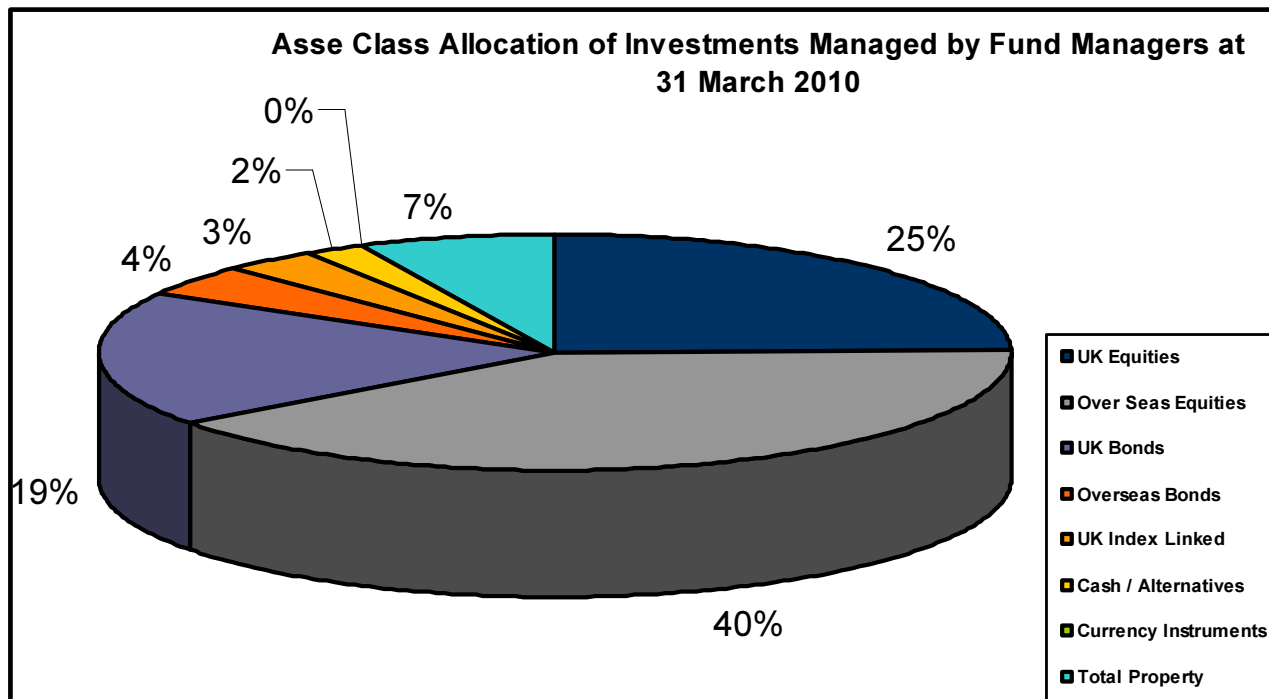
3.2.1 Asset Allocation

Although the benchmark is heavily weighted towards equities (as the asset class expected to provide the highest return over the medium term to long term), there is a significant exposure to property and bonds and from April 2010 the Fund now has exposure to alternative investments.

Within equities, diversification is achieved by investing in different markets across the world, which provides exposure to many different sectors and stocks.

The Pension Fund investments are allocated over various Fund managers and over different investment types. This helps to diversify risk.

The table below shows percentage of the fund managed by asset type as at 31 March 2010.



3.2.2 Manager Structure

The Pension Fund employs a number of managers. Strategic asset allocation dispositions in the Fund and between managers was addressed during the financial year by deciding to invest in the M&G Financing Fund which takes advantage of opportunities in UK credit opportunities and investments in Schroder Indirect Property Fund (SIRE) which is a pooled fund of fund property portfolio. Both of these diversifications will provide the Fund with a degree of manager diversification, these investments have now been purchased.

3.2.3 The table below shows the total manager weighting and benchmark

Manager	% of Fund	Benchmark
Alliance Bernstein Global	24	89% MSCI World/11% MSCI EM Free
Alliance Bernstein UK	8	100% FTSE All Share
Goldmans Sachs	33	54% FTSE All Share, 15% MSCI North America, 15% MSCI Europe ex UK NDR, 8% MSCI Japan NDR, 8% MSCI Pacific ex Japan NDR
Aberdeen Asset	25	68% Merrill Lynch £ Broad Index, 16% FTSE Govt UK Index-Linked All Stocks, 16% Lehman Agg ex UK
RREEF	10	IPD Monthly Index
% of Total Fund Benchmark	100%	

3.3 Investment Activity and Performance

3.3.1 The Pension Fund like other investors around the world faced a challenging year, although significant improvements to more asset classed were produced by 31 March 2010.

3.3.2 Investment Activity

The table below shows the top 10 stocks in the Fund as at 31 March 2010.

Fund Manager	Asset Description	Shares/Par	Base Market Value	Percentage of Total Fund
Aberdeen	Aberdeen Fixed Income Fund	27,111,622	38,227,387	7.33%
RREEF	RREEF Ltd UK Core Property Fund A	247,447	33,435,047	6.41%
Aberdeen	Aberdeen Global II AGG Bond Z2	2,383,570	21,904,509	4.20%
Alliance Bernstein	ACM Bernstein Value Investment ACM Emerging Market Value Fund	372,568	12,365,553	2.37%
Alliance Bernstein	Alliance Bernstein Emerging Market Growth Fund S1	320,182	8,651,396	1.66%
Aberdeen	UK Treasury 09/19 Fixed 3.75	6,620,000	6,522,090	1.25%
Aberdeen	UK(Govt of) 4PCT STK GBP100 07SEP16	5,680,000	5,948,788	1.14%
Aberdeen	Treasury 03/14 Fixed 2.25	5,800,000	5,792,384	1.11%
Aberdeen	UK Govt of 09/34 Fixed 4.5	5,180,000	5,163,337	0.99%
Goldmans Sachs	HSBC Holdings Plc Common Stock USD.5	757,310	5,058,831	0.97%
Aberdeen	UK(Govt of) 11/17 Fixed 1.25	4,724,202	5,018,473	0.96%

3.3.3 Investment performance

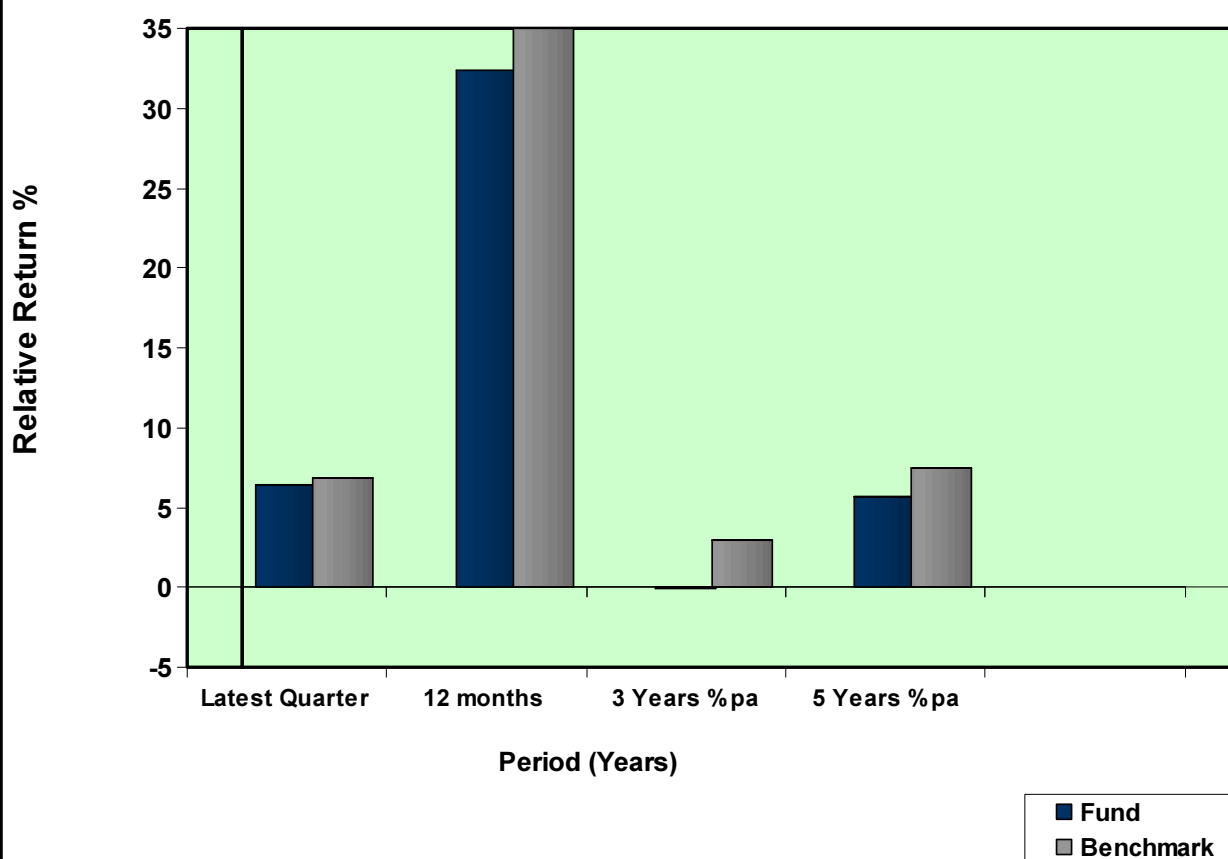
The Total Fund return of 6.4% for the quarter ending March 2010 was 0.4% below the combined Fund Benchmark return of 6.8% for the period.

The below benchmark performance during the quarter was mainly due to the relative underperformance of the Alliance Bernstein Global Equity mandate and was further added to by the underperformance of the RREEF property portfolio. Some offset to this underperformance was provided by the Alliance Bernstein UK Equity mandate and the Aberdeen Bond mandate, which both outperformed their benchmarks.

For the 1 year period to end March 2010 the Total Fund returned 32.4% however, this is 1.9% behind the benchmark return of 35.0%.

Over the three year period to end March 2010, the fund returned -0.1% p.a. which is 3.0% p.a. behind the benchmark return of 3.0% p.a.

Long Term Investment Performance at 31 March 2010



3.3.4 Investment Manager Performance

The table below shows the investment manager performance in 2009/10 relative to their Benchmark:

	Fund Strategic Weighting %	Portfolio Return %	Benchmark Return %	Relative Return %
Equities				
Alliance Bernstein Global	24	49	47.6	0.9
Alliance Bernstein UK	8	46.2	52.3	-4
Goldman Sachs	33	48.2	49.7	-1
Bonds				
Aberdeen Asset Mgmt	25	11	8.4	2.3
Property				
RREEF	10	7.6	16.3	-7.5

4 ACTUARIAL REPORT ON FUND

4.1 Actuarial Valuation and Solvency of the Fund

Legislation requires the Pension Fund to have an actuarial valuation undertaken every three years. The purpose of the valuation is for an independent assessment to be made of the health of the Fund – its funding level. The Fund actuary assesses the future growth in the value of the fund and the future liability to pay pensions to current and former employees.

4.2 Actuarial Statement

Actuarial Statement for the Pension Fund has been produced by the Fund Actuary Hymans Robertson LLP. This is included as an appendix to this report.

4.3 Scheme Liabilities at 31 March 2010

The Fund actuary reported the triennial valuation as at the 31st March 2007. The funding level was 88%. The aim of the report is to recommend employer contribution levels to ensure that assets in the fund cover liabilities over the long term. The 2010 valuation is almost completed, results are expected at the end of the year.

5 SCHEME GOVERNANCE AND ADMINISTRATION

5.1 Scheme Governance Policy Statement

It is important that appropriate governance arrangements are put in place representing the needs of all stakeholders in the Scheme

5.1.2 In accordance with the Local Government Pension Scheme Regulations 2007, Local Government Pension Scheme administering authorities are now required to prepare a Governance Compliance Statement. This statement should set out how administering authorities comply with the best practice guidance as issued by the Secretary of State for Communities and Local Government and Myners Principles 2001 as Amended 2008.

This statement sets out the best practice guidance, and how the London Borough of Barking and Dagenham comply with this guidance.

A copy can be found on the Council's website.

5.2.2 Publicity

The Governance Compliance Statement is available on request. The document is also published on the council's website as required by statute.

5.3 Communication

The Pension Fund has published a Communication Policy Statement which sets out how it communicates with employers and representatives of employers, Scheme members and prospective Scheme members. A copy of this document is available on the council's website

5.4 Pension Panel

The Pension Panel has responsibility for all pension fund matters. Some of these tasks include:

- Review of Whole Fund Mandate
- Review of Fund Manager Mandate, Strategy and Structure
- Review of Alternative Asset Classes for Investment of accumulated internal cash
- Review of Fund Manager and Custodian Auditor Reports (SAS 70)
- Annual Review of AVC providers Performance
- Review of the Statement of Investment Principles SIP
- Review of the Governance Policy Statement
- Review of Governance Compliance Statement
- Review of Pension Fund Membership
- Review of the Asset and Liabilities of the Pension Fund
- Admission of admitted bodies to the Fund

In addition as recommended by the Myners Principles 2008, the Council has adopted the recommendations of the knowledge and skills framework. The Pension Panel undertake various training through out the year to equip them in their responsibility as Trustees of the Fund.

6 FUND ACCOUNT AND NET ASSETS STATEMENT

6.1 Pension Fund 2009/10 Account Summary

The 2009/10 compared to 2008/09

- The number of contributors to the Scheme increased by 1.5% to 5,495
- The number of pensioners paid increased by 2.7% to 4,457.
- Contributions income rose by £1.4m (5.84%)
- Investment income decreased by £2.258m (14.7%)
- Payments made out of the Fund increased by 12.5% to £33.4m

6.2 Investments

The Fund market value at 31st March 2010 was £549.3m against a market value of £413m as at 31st March 2009, representing an increase of £136.3m.

The Pension Fund Accounts is included below it can also be located on the council's website.

PENSION FUND ACCOUNTS 2009-10

Explanatory Foreword

Statement of Responsibilities for the Statement of Accounts

Pension Fund Account

Statement of Accounting Policies

Extract from Actuarial Report

Notes to the Statement of Accounts

Audit Report to the Pension Fund

Explanatory Foreword

1. Format of the Pension Fund Statement of Accounts

The primary function of the London Borough of Barking and Dagenham in respect of these accounts is as an Administering Body to the London Borough of Barking and Dagenham Pension Fund.

The 2009/10 pension fund accounts report two separate accounts:

- Fund Account; and
- Net Assets Statement

The accounts were authorised for issue by the Corporate Director of Finance and Commercial Services on 30 June 2010

2. Review of the Statements

Pension Fund Account

The net assets of the pension fund have increased by £136m to £549m (£413m in 2008-09) largely as a result of the change in market value of the assets.

The other main factors affecting the Pension Fund Accounts are set out below:

- Net Return on Investments was £136m;
- Investment income decreased by £2.2m;
- Employer contribution rate remained the same as last year;
- Employee contributions continues to be paid on a tiered basis; and
- Net income on the fund increased by £1.8m

3. Accounting for retirement benefits (FRS 17)

The financial statements disclose the cost of providing retirement benefits and related gains and losses, assets and liabilities under FRS 17 for the whole fund.

Statement of Responsibilities for the Pension Fund Statement of Accounts

The Administering authority's responsibilities:

The London Borough of Barking and Dagenham Pension Fund is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In the London Borough of Barking and Dagenham Pension Fund this is the Corporate Director of Finance and Commercial Services who is responsible for presenting fairly the financial position of the pension fund as at 31 March 2010.

In preparing these accounts the Corporate Director of Finance and Commercial Services has:

- Selected suitable accounting policies and applied them consistently in addition to the policies which apply to the council's statement of accounts;
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts presents a true and fair view of the financial position of the London Borough of Barking and Dagenham Pension Fund at 31 March 2010 and its income and expenditure for the period.

Tracie Evans
Corporate Director of Finance & Commercial Services

30 June 2010

PENSION FUND ACCOUNT

2008-09			Note	2009-10	
£'000	£'000			£'000	£'000
		Contributions & Benefits			
		Contributions receivable:	3		
19,483		- from employers (administering body)		20,124	
3,361		(scheduled bodies)		5,102	
1,842		(admitted bodies)		902	
	24,686				26,128
6,700		- from employees (administering body)		6,831	
1,357		(scheduled bodies)		1,701	
658		(admitted bodies)		300	
	8,715				8,832
	3,797	Transfers In - Individuals	5		7,773
	37,198	Total Contributions (A)			42,733
		Benefits payable:	4		
16,098		- Pensions (administering body)		17,660	
2,038		(scheduled bodies)		2,686	
690		(admitted bodies)		498	
	18,826				20,844
6,173		- Lump sums (administering body)		5,908	
242		(scheduled bodies)		608	
406		(admitted bodies)		77	
	6,821				6,593
		Payments to & on account of leavers			
4		- Refunds of contributions		6	
3,327		- Transfers out	5	5,353	
	3,331				5,359
678		- Administrative & other expenses	11	573	
	678				573
	29,656	Total Benefits & Expenses (B)			33,369
	7,542	Net Income (withdrawals) (A less B)			9,364
		Returns on Investments			
15,303		- Investment income	13	13,045	
(116,064)		- Change in market value of investments (realised & unrealised)		116,006	
(2,298)		- Investment management expenses	12	(2,215)	
	(103,059)	Net Returns on Investments			126,836
	(95,517)				136,200
20,547		Net new money invested		20,194	
(69,939)		Change in market value of investments:			
(46,125)		Net realised profits/(losses)		22,463	
		Net unrealised profits/(losses)		93,543	
	(95,517)	Net increase/(decrease) in the fund during the year			136,200
	508,603	Opening net assets at 1 April 2009			413,086
	413,086	Closing Net Assets at 31 March 2010			549,286

PENSION FUND NET ASSETS STATEMENT

31 March 2009			Notes	31 March 2010	
£'000	£'000			£'000	£'000
		INVESTMENTS ASSETS	10		
70,900		Fixed Interest Securities - Public Sector		76,101	
83,232		U.K. Equities - quoted		115,358	
125,177		Foreign Equities		218,864	
1,255		Foreign Fixed Interest Securities		200	
34,211		Pooled Investments - Property		36,624	
69,725		Pooled Investments - Other		65,034	
1,280		Short Term Investments		0	
7,668		Cash held by Investment Managers		9,064	
20,416		Internal Investments		28,376	
	413,864				549,621
1,969		Other Investment Balances (note)		1,836	
9,479	11,448	Outstanding trades		6,617	8,453
	(11,507)	INVESTMENT LIABILITIES			
		Outstanding Trades			(8,369)
		CURRENT ASSETS	14		
281		Debtors - Contributions due from Employers		137	
	281				137
		CURRENT LIABILITIES	14		
(503)		Unpaid Benefits		(21)	
(497)	(1,000)	Creditors		(537)	(558)
	413,086	TOTAL NET ASSETS			549,284

The account summarises the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

Included in Aberdeen Asset Management is an option with a market value £239k

NOTES TO THE PENSION FUND

1. ACCOUNTING POLICIES

(i) **Investment Valuation**

- Quoted investments are valued at bid price at 31 March 2010 where there is an active market rather than mid-market value 31 March 2010.
- Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines.
- Unit trusts and managed funds are valued at the closing bid price where both bid and mid prices are quoted.
- Property is valued at market value or other basis determined in accordance with the RICS Appraisal and Valuation Manual and practice statements
- Insurance policies matching the amount and timing of benefits payable under the scheme have been valued at the amount of the related obligations
- Other insurance policies have been valued using a method giving the best estimate of fair value given under the circumstance of the scheme
- Unquoted investments are valued by the fund managers at the year-end in accordance with generally accepted guidelines.
- Investments held in foreign currencies have been valued on the same basis and translated into sterling at the closing rate ruling on 31 March 2010. All foreign currency transactions are translated into sterling at exchange rates ruling at closing rate of exchange.
- Options and Futures where used are valued on a fair value, mark to market basis.
- Industrial and commercial properties are valued at open market prices as at 31 December 2009 and then indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2010.

(ii) **Accruals Basis** - The accounts are prepared on an accruals basis. Any material transactions that were found to be for this financial year which arose or were received after the end of the year are enclosed in these pension financial statements. Additional Voluntary Contributions have been excluded from consolidation into the final accounts.

(iii) **Transfer Values** - are included in the accounts on a cash basis.

(iv) **Foreign Currency Translation** – Prices in foreign currency is translated at closing exchange rate at 31 March 2010 for the appropriate currency to express the value as a sterling equivalent.

(v) **Costs of Acquiring Investments** – these costs are included in the value of the assets.

(vi) **The Pension Fund Accounts** – the pension fund financial statements have been prepared in accordance with the provisions of Chapter 2 Recommended Accounting Practice of the Pensions SORP.

(vii) **Contributions** - Normal contributions from members and employers are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustment certificate. Payment of pensions and pensions increases are accounted for on an accruals basis. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end

(viii) **Taxation**

- a) UK Income Tax – The Fund is an exempt approved fund and therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax;
- b) Value Added Tax – VAT input tax is recoverable on all fund activities by LBBD as the administering authority;

c) Overseas Tax – Income from the USA is exempt from US taxes. Taxation agreements exist between Britain and certain EC and other countries whereby a proportion of the tax deducted locally from investment income may be reclaimed. The proportion reclaimable and the timescales involved vary from country to country. Non-recoverable deductions are classified as withholding tax.

(ix) **Going Concern** – The Pension Fund Accounts have been prepared on a going concern basis

2. OPERATIONS AND MEMBERSHIP

The Fund is established under the provisions of the Superannuation Act of 1972 to provide pensions and other retirement benefits for the Council's employees other than teachers, and the Scheduled and Admitted Bodies detailed below. The Employers make a contribution as determined by the Actuary, who makes a valuation of the Fund every three years. The latest valuation took place as at 31 March 2007. A revised Rate and Adjustment Certificate was issued on 2nd March 2009.

The table below shows the employer contribution rates:

EMPLOYER	Minimum Contribution for the Year					
	31/03/09	Additional Monetary Deficit Payment £'000	31/03/10	Additional Monetary Deficit Payment £'000	31/03/11	Additional Monetary Deficit Payment £'000
Administering Body:						
London Borough of Barking & Dagenham	17.00%	0	18.00%	0	19.00%	0
Scheduled Body:						
University of East London	17.00%	0	19.20%	0	19.20%	0
Barking College	14.50%	0	15.80%	0	17.10%	0
Admitted Bodies:						
Age Concern	19.50%	106	19.50%	111	19.50%	116
Abbeyfield Barking Society	21.50%	0	21.50%	0	21.50%	0
Barking & Dagenham						
Citizens Advice Bureau	12.50%	0	12.50%	0	12.50%	0
Enterprise (Thames Accord)	16.40%	0	16.40%	0	16.40%	0
East London E-Learning	11.50%	0	11.50%	0	11.50%	0
Disablement Association	24.30%	0	24.30%	0	24.30%	0

The table below shows the membership of the fund at 31 March 2010:

Membership Numbers	Active	Pensioners	Deferred	Undecided	Frozen
Administering Body:					
London Borough of Barking & Dagenham	4,452	3,709	2,872	77	246
Scheduled Bodies:					
University of East London	668	541	575	12	67
Magistrates Court	0	11	11	0	2
Barking College	229	94	140	2	12
Admitted Bodies:					
Barking Council for Voluntary Services	0	0	2	1	0
Age Concern	22	42	14	0	2
Abbeyfield Barking Society	0	4	1	0	1
Barking & Dagenham Citizens Advice Bureau	2	0	3	0	0
London Riverside	0	2	5	0	0
Enterprise (Thames Accord)	117	54	41	4	1
East London E-Learning	4	0	5	0	0
Disablement Association of Barking & Dagenham	1	0	0	0	0
TOTAL	5,495	4,457	3,669	96	331

3. CONTRIBUTIONS RECEIVABLE

3a) The table below shows the employers contribution receivable at 31 March 2010:

EMPLOYER	2008-09				2009-10			
	Normal £'000	Addn Retirement costs £'000	Deficit Funding £'000	Total £'000	Normal £'000	Addn Retirement costs £'000	Deficit Funding £'000	Total £'000
Administering Body London Borough of Barking & Dagenham	16,637	2846	0	19,483	17,918	2,206	0	20,124
Scheduled Body University of East London	3,336	25	0	3,361	4,207	28	0	4,235
Barking College	639	73	0	712	809	57	0	866
Admitted Bodies:								0
Age Concern	105	0	106	211	77	0	0	77
Abbeyfield Barking Society	8	0	0	8	14	0	0	14
Barking & Dagenham Citizens Advice Bureau	8	0	0	8	8	0	0	8
London Riverside	0	0	0	0	0	0	0	0
Enterprise (Thames Accord)	733	146	0	879	707	73	0	780
East London E-Learning	21	0	0	21	14	0	0	14
Disablement Association of Barking & Dagenham	3	0	0	3	9	0	0	9
	21,490	3,090	106	24,686	23,763	2,364	0	26,127

3b) The table below shows the employees contributions receivable at 31 March 2010:

	Normal £'000	Addn Retirement costs £'000	Total £'000	Normal £'000	Addn Retirement costs £'000	Total £'000
Administering Body London Borough of Barking & Dagenham	6,492	208	6,700	6,727	104	6,831
Scheduled Body University of East London	1,354	3	1,357	1,353	0	1,353
Barking College	290	0	290	334	13	347
Admitted Bodies:						
Age Concern	32	0	32	23	0	23
Abbeyfield Barking Society	2	0	2	1	0	1
Barking & Dagenham Citizens Advice Bureau	4	0	4	4	0	4
London Riverside	0	0	0	0	0	0
Enterprise (Thames Accord)	305	11	316	261	0	261
East London E-Learning	12	0	12	9	0	9
Disablement Association of Barking & Dagenham	2	0	2	2	0	2
	8,493	222	8,715	8,714	117	8,831

BENEFITS PAYABLE

The table below shows the benefits payable at 31 March 2010:

EMPLOYER	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000
	Pensions	Pensions	Lump Sum	Lump Sum	Death Grant	Death Grant
Administering Body: London Borough of Barking & Dagenham	16,098	17,661	5,286	5487	887	421
Scheduled Bodies: University of East London	1,999	2,179	229	537	8	63
Barking College	225	465	136	0	121	8
Magistrates Court	39	41	5	0	0	
Admitted Bodies: Age Concern	45	60	10	21	0	0
Abbeyfield Barking Society	2	4	0	10	0	0
London Riverside	11	11	0	0	0	0
Enterprise (Thames Accord)	393	409	139	40	0	5
East London E-Learning	14	14	0	0	0	0
Disablement Association of Barking and Dagenham	0	0	0	0	0	0
	18,826	20,844	5,805	6,095	1,016	497

5. TRANSFER VALUES

EMPLOYER	2008-09 £'000	2009-10 £'000	2008-09	2009-10
	Transfer In	Transfer In	Transfer Out	Transfer Out
Administering Body: London Borough of Barking & Dagenham	2,432	6,995	2,130	3703
Scheduled Bodies: University of East London	1,066	676	657	1183
Barking College	262	102	114	346
Magistrates Court	0	0	0	0
Admitted Bodies: Age Concern	0	0	0	0
Abbeyfield Barking Society	0	0	0	0
London Riverside	0	0	0	29
Enterprise (Thames Accord)	0	0	368	92
East London E-Learning	37	0	0	0
Disablement Association of Barking and Dagenham	0	0	58	0
	3,797	7,773	3,327	5,353

6. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Addition Voluntary Contributions administered by the Prudential, made by London Borough of Barking & Dagenham employees during the year amounted to £351k (2008-09 £338k). AVC is not included in the pension fund accounts in accordance with regulation 5(2) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

AVC was valued by Prudential at a market value of £4.63m (2008/09 £4.63m). The above figure includes employees of London Borough of Barking and Dagenham, Scheduled and Admitted Bodies.

7. ACTUARIAL POSITION

(a) Actuarial assumptions

The triennial review of the fund took place as at 31 March 2007 and the salient features of that review were as follows:

- The funding policy of the scheme is to meet 100% of the liabilities
- The key financial assumptions adopted at this valuation are:
 - Retail Price Inflation (RPI) Future levels of price inflation.
 - Future levels of real pay increases - assumed to be 1.5% p.a. in excess of price inflation;
 - Funding basis discount rate is assumed to be 1.6% p.a. above the yield on fixed interest government bonds;
 - Funding basis discount rate assumed to be 1.6% p.a. above the yield on fixed interest Government bonds; and
 - The market values of the pension scheme's assets at the date of the valuation were: £530million. There has not been a review of the market values since this valuation. The next actuarial valuation which began on 31 March 2010 is in progress.

The discount rate is derived from the expected future rate of investment return from the broad categories of assets held by the fund. This takes into account what additional returns might reasonably be expected from the fund's investments over and above the minimum risk rate of return on Government bonds.

Other assumptions adopted in this valuation are:

- Future longevity is assumed to give the following average future life expectancies for pensioners aged 65 at the valuation date:

The table below shows the longevity assumptions at the 2007 valuation:

	Assumptions to assess funding position and 'gilt based' position at 31 March 2007		Assumptions to assess funding position at 31 March 2007	
	M	F	M	F
Males (M) or Females (F)				
Average future life expectancy (in years) for a pensioner aged 65 at the valuation date	20.7	23.6	18.4	21.3
Average future life expectancy (in years) at age 65 for a non-pensioner aged 45 at the valuation date	20.7	23.6	18.4	21.3
Average future life expectancy (in years) at age 45 for a non pensioner aged 45 at the valuation date	40.1	43	37.2	40.2

The key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2007 valuation are set out below:

Assumptions	Derivation	Rate at 31 March 2007	
		Nominal	Real
Price Inflation (RPI)	Market expectation of long term future inflation as measured by the geometric difference between yields on fixed and index-linked Government bonds as at the valuation date	3.2%	-
Pay Increases *	Assumed to be 1.5% p.a. in excess of price inflation	4.7%	1.5%
Gilt-based' discount rate	The yield on fixed -interest Government bonds	4.5%	1.3%
Funding basis discount rate	Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds	6.1%	2.9%

(b) Funding Level

The table below shows the detail funding level for the 2007 valuation:

Employer Contribution Rates	% of payroll
Net Employer Future Service Cost	14.20%
Past Service Adjustment – 20 year spread	4.50%
Total Contribution Rate	18.70%

(c) Funding Position

The table below shows the detail funding positions for the 2007 valuation:

Funding Position	31/03/2007 £'000 p.a.
A. Value of assets	530,011
Assessed cost of past service benefits in respect of:	
Employee members	284,971
Pensioner members	239,403
Deferred pensioner members	80,797
B. Total assessed cost of past service benefits	605,171
Funding surplus/ (shortfall) (A minus B)	(75,160)
Funding level (A as a percentage of B)	88%

The table below shows the assumptions used by the actuary to arrive at the 2007 actuarial funding position:

	Assumptions to assess funding position at 31 March 2004	Assumptions to assess funding position at 31 March 2004	Assumptions to assess 'gilt based' position at 31 March 2007
Annual rate of price inflation	2.9%	3.2%	3.2%
Annual rate of pension increases			
- on pensions in excess of GMPs	2.9%	3.2%	3.2%
- on pensions accrued after April 1997	2.9%	3.2%	3.2%
- on post-88 GMPs in payment	2.0%	2.8%	2.8%
- on pre-88 GMPs in payment	0.0%	0.0%	0.0%
Annual rate of increase of deferred pensions	2.9%	3.2%	3.2%
Annual rate of pay increases	4.4%	4.7%	4.7%
Discount rate	6.3%	6.1%	4.5%
Expenses	0.4%	0.5%	0.5%

d) Total Contribution Rate

The table below shows the total contribution rates which apply to the 2009-10 accounts:

Employer Contribution Rates	% of payroll
Net Employer Future Service Cost	14.20%
Past Service Adjustment – 20 year spread	4.50%
Total Contribution Rate	18.70%

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

e) FRS 17 disclosures for the whole fund

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end. FRS 17 disclosures which apply to Administering Authority can be found in the council's accounts.

8. EARLY RETIREMENT CAPITAL CONTRIBUTIONS

The table below shows the split of early retirement capital contributions made by employer at 31 March 2010;

EMPLOYER	31/03/2009 £'000	31/03/2010 £'000
London Borough of Barking & Dagenham	2,846	2,206
University of East London	24	28
Barking College	73	57
Age Concern	0	0
Enterprise (Thames Accord)	146	73
Total	3,089	2,364

9. PURCHASE AND SALE OF INVESTMENTS

(a) The table below shows the purchases and sales on investments in 2009-10:

Investment Type	Sales £'000	Purchases £'000
Fixed Interest Securities - Public sector	42,364	48,413
UK Equities - quoted	121,743	112,272
Foreign Equities	241,799	263,075
Foreign fixed interest securities	512	278
Pooled Investments - Property	346	950
Pooled investments - other	7,818	1,209
Short term investments	267,145	265,865
Total	681,727	692,062

10. DETAILED ANALYSIS OF INVESTMENTS

The Council is required to disclose further details relating to investments

(a) The table below shows the split of investments by Fund Managers:

Manager	Value of Fund £'000	%
Aberdeen Asset Management	140,767	25.61%
Alliance Bernstein	162,816	29.62%
Goldman Sachs	177,508	32.30%
RREEF	40,154	7.31%
Internal	28,376	5.16%
Total	549,621	100.00%

Prior to the year-end, the Pension Fund approved indirect investments in M&G Investment Management Limited and Schroders. However, as at 31 March 2010, no transfer of cash had taken place.

(b) Summary of Investment Categories

The majority of the fund is represented by investments. The statement below shows the market value of main categories of investments held by the Fund Managers in £000's as at 31st March 2010.

Asset Class	Aberdeen £'000	Alliance Bernstein £'000	Goldmans Sachs £'000	RREEF £'000	Total £'000
Fixed Interest Securities					
Public Sector	58,402	0	0	0	58,402
Index Linked	17,699	0	0	0	17,699
UK Equities - Quoted	3,600	49,998	61,760	0	115,358
Foreign Equities					0
Equities	0	109,275	109,186	0	218,461
Futures	0		402	0	402
Foreign Fixed Interest Securities	0	200	0	0	200
Pooled Investment –					
Property	0	0	0	36,624	36,624
Others	60,132	0	4,902	0	65,034
Cash					0
Cash	1,172	3,037	1,087	3,531	8,828
Options	-239	305	170	0	236
Total	140,766	162,815	177,507	40,155	521,244

11. ADMINISTRATIVE AND OTHER EXPENSES

The table below shows the administrative and other expenses in 2009-10:

Expense	2008-09 £'000	2009-10 £'000
Administrative and Processing	501	387
Audit Fee	38	35
Actuarial Fees	34	56
Legal and other Professional Fees	108	95
Total	681	573

Pension Fund legislative changes in 2009-10 now require the Pension Fund audit fees of £35,000 to be shown separately from the Council's total audit fee. This sum is included in the figure for Legal and other Professional Fees shown above

12. FUND MANAGER AND CUSTODIAN EXPENSES

The table below shows the split of fund manager and custodian expenses at 31 March 2010:

Fund Manager	2008-09 £'000	2009-10 £'000
Aberdeen Asset Management	338	234
Alliance Bernstein Asset Management	737	796
Goldmans Sachs Asset Management	638	678
RREEF	334	262
State Street (Custodian)	251	245
Total	2,298	2,215

13. INVESTMENT INCOME

The table below shows the split of investment income in 2009-10 by type:

Income	£'000
Fixed Interest income	3,132
Dividends	8,131
Property income	1,259
Interest – Managers cash balances	17
Interest LBBB internal cash	589
Currency gain / Losses	(105)
Stock Lending	19
Commission recapture	3
Total	13,045

14. DEBTORS AND CREDITORS

(a) The table below shows the split of debtors and creditors

Debtors	2008-09 £'000	2009-10 £'000
Investments		
Outstanding Divdends	1,967	1,834
Stocklending	2	2
Outstanding trades	9,479	6,617
	11,448	8,453
Others		
Pension contributions due	281	137
Tax reclaims	0	0
	281	137
Total	11,729	8,590

Creditors	2008-09 £'000	2009-10 £'000
Investments		
Outstanding trades	11,507	8,369
	11,507	8,369
Others		
Unpaid Benefits	503	21
Investment managers fees	360	477
Custodian fees	83	32
Advisors fees	16	20
Audit fee	38	8
	1000	558
Total	12,507	8,927

(b) STOCK RELEASED TO THIRD PARTIES

The fund is involved with a stock lending agreement via its custodians State Street bank as at 31 March 2010. £31.1m of stock was lent to counterparties with 104.69% collateral exposure.

15. RELATED PARTY TRANSACTIONS

The Pension Fund is a related party of the Council. All of the above transactions which includes £28.376m (2008/09 £20.416m) cash investments managed by the Council on behalf of the Fund, and pension administration costs of £370,676 (2008/09 £430,707) are related party transactions between the Council and Pension Fund

16. EMPLOYERS

AbbeyField Barking Society as at 31 March 2010 had no contributing member.

17. POST BALANCE SHEET EVENTS AND CONTRACTUAL COMMITMENTS

(a) LBBDD contract with Age Concern Barking & Dagenham ceased as at 31 March 2010. The charity went into administration on 1st April 2010. The claim for cessation liability has been submitted by the Council to the administrators of the charity. However the cessation claim may be subject to an adjustment for interest or fund returns between the date of cessation and the date of payment.

(b) The contract for the Supply of Fleet Vehicles, Plant and Associated Services has been awarded to Translinc Limited. The Cabinet on 8 June 2010 approved Translinc's application seeking admission to the Council's Pension Fund as an admitted body thereby allowing Council staff transferred to its employ to remain as members of the Local Government Pension Scheme.

18 STATEMENT OF INVESTMENT PRINCIPLES

A Statement of Investment Principles has been agreed by the Council's Investment panel and is updated periodically to reflect changes made in Investment Management arrangements. The nature and extent of risk arising from financial instruments and how the

pension fund manages those risks is included in the Statement of Investment Principles. Copies can be obtained from the Authority's website: www.lbbd.gov.uk

19 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The pension fund activities expose it to a variety of financial risks in respect of financial instruments:

- Credit risk - the risk that other parties may fail to pay amounts due;
- Liquidity risk – the risk that the pension fund may not have funds available to meet its commitments to make payment;
- Refinancing risk – the risk that the pension fund might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- Market risk – the possibility that financial loss might arise from the fund's as a result of changes in such measures as interest rates or stock market movements.

The procedures for risk management in relation to key financial instruments is set out through the legal framework detailed within the Local Government Act 2003 and other associated regulations. These require compliance to all CIPFA treasury Management practices, CIPFA Prudential Code and Investment Guidance as applicable to the Council. The Pension Fund holds some pension fund assets in cash which are held with the Council's investments in line with treasury management strategy and guidelines.

Background Papers

Pension Panel Meeting Papers

CLG Guidance on Publication of Pension Fund Annual Reports July 2009

2008/09 Statement of Recommended Practice (SORP)

CIPFA – Narrative Reporting in Public Sector Pension Schemes

CIPFA – Investment Decision making and disclosure in the Local Government Pension Scheme. A Guide to the Application of the Myners Principles

Consultation

The headline contents of this report is defined by CLG guidance

Publication

This report will be made available through the Council's website and to all employers and members participating in the Pension Fund as well as Council Members on request as appropriate. A copy of this document and all other documents referred to in this report can be obtained upon receipt of a written request to the Treasury and Pensions Manager.

Glossary of Terms

<u>Term</u>	<u>Definition</u>
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Active Members	Members of the Pension Fund who are in employment with the council or one of its admitted or scheduled bodies making contributions to the Pension Fund
Actuary	An independent qualified consultant who advises on the financial position of the Pension Fund. Every three years the Actuary reviews the assets and produce the actuarial valuation which recommends the employer contribution rates.
Actuarial Valuation	A review required by law carried out every three years, by the actuary, on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates.
Administering Authority	A local authority required to maintain a pension fund under the Local Government Pension Scheme regulations. For the London Borough of Barking and Dagenham pension fund, the administering authority is the council.
Admission agreement	A contract between and administering authority, admitted body and if applicable, the outsourcing Scheme employer.
Augmentation	Additional membership awarded to a member by their employer, to a maximum of ten years.
Benchmark	A notional fund which is developed to provide a standard against which an Investment Manager's performance is measured.
Bonds	A certificate of debt issued by a company, government or other institution. A bondholder is a creditor of the issuer and usually receives interest at a fixed rate. Also referred to as fixed interest securities.
Communication Policy	A statement of policy on communications with

Statement	members and employers including the provision of information about the scheme, the format, frequency and method if distributing such information and the promotion of the Scheme to prospective members.
Contingent Liability	<p>A contingent liability is either:</p> <ul style="list-style-type: none"> • A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control (e.g. the outcome of a court case) • A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.
Creditors	Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Custody/Custodian	The safe-keeping of securities by a financial institution. The Custodian is responsible for maintaining investment records, the settlement of transactions, income collection, tax reclamation and other administrative actions in relation to the Pension Fund's investments
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet received by the end of that accounting period.
Deferred Liabilities	These are creditor balances repayable after one year.
Deferred members	Members who leave their employment or opt out of the Scheme and have their benefits deferred until retirement or until they request a transfer to another pension scheme.
Defined benefit final salary scheme	A scheme where the scheme rules define the benefits independently of the contributions paid by the members and employer. Members' benefits are a specified fraction of a scheme member's final pay
Defined Benefit Scheme	A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay. There are no legal obligations to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Equities	Shares in UK or overseas companies
Final pensionable pay	The figure used to calculate a member's pension benefits and is normally a members pay in the last year before they retire.
Fixed interest securities	Investments which guarantee a fixed rate of interest.
Funded scheme	A pension scheme that has available assets to cover all liabilities, including the obligation of future payments to retirees
Funding Strategy Statement	A statement of the Pension Fund's strategy for meeting employers' pension liabilities.
Governance Compliance Statement	A statement of the governance arrangements of the Pension Fund including the delegation of responsibility, terms of reference, representation and compliance with statutory guidelines.
Index linked	Bonds on which the interest and ultimate capital repayment are recalculated on the basis of changes in inflation
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed
Investment Consultant	A professionally qualified individual or company who provides objective, impartial investment advice to the Pension Fund.
Investment Manager	An organisation that specialise in the investment of a portfolio of securities on behalf of an organisation subject to guidelines and directions of the investor
Mandate	A set of instructions given to an investment manager as to how a fund is to be managed.
Net Book Value	The amount of which fixed assets are included in the balance sheet, i.e. historical cost or current value less the cumulative amounts provided for depreciation and impairment.
Net Expenditure	Total expenditure less any income due to the council.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Past Service Cost	For a defined benefit scheme, the increase in the value of benefits payable that was earned in prior years arising because of improvements to retirement benefits.
Pensioners	Members of the Pension Fund who receive a pension scheme from the Scheme (including spouses' and dependants' pension)
Pooled Investment vehicles	An investment which allows investors' money to be pooled and used by investment managers to buy a variety of securities, thereby giving investors a stake in a diversified portfolio of securities
Post Balance Sheet Events	These events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the statement of accounts is signed.
Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental errors.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Quoted securities	Shares with prices quoted on a recognised stock exchange.
Rates and Adjustment Certificate	A certificate issued by the Pension Fund's Actuary setting out the contribution rates payable by participating employers.
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Members and senior Officers of the Council are required to declare if they have entered into any such transactions and any relationships of significant influence with any organisations associated with the Council.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Statement of Movement on the General Fund Balance	A statement which shows how the surplus or deficit on the Income and Expenditure accounts matches up with the movement on the General Fund Balance.

Scheme Administrator	An organisation responsible for the administration of benefits of the Pension Fund
Statement of Investment Principles	A formal policy on how a pension fund will invest its assets including the types in investment to be held, the balance between different types of investments and risk.
Transfer values	A capital value transferred to or from a pension scheme in respect of a contributor's previous periods of pensionable employment.
Unit Trust	A pooled fund in which investors can buy or sell units on an ongoing basis
Unquoted securities	Shares which are dealt in the investment market but which are not listed on a recognised stock exchange

HYMANS ROBERTSON LLP

Actuarial statement

As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, an actuarial valuation of the assets and liabilities of London Borough of Barking and Dagenham Pension Fund ("the Fund") was carried out as at 31 March 2007.

Security of prospective rights

In my opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, I have assumed that the following amounts will be paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007; and
- Contributions by employers in accordance with the Rates and Adjustments Certificate dated 31 March 2005 for the year ending 31 March 2008. Thereafter, for the three years commencing 1 April 2008, as specified in our Rates and Adjustments certificate dated 14 March 2008.

The Local Government Pension Scheme is a statutory scheme i.e. members' benefits are as set out in the Local Government Pension Scheme Regulations 1997 and Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

This statement should be read in that context.

Summary of methods and assumptions used

Full details of the method and assumptions are described in our valuation report dated 14 March 2008. The valuation was carried out in accordance with the Funding Strategy Statement.

Copies of these documents are available on request from London Borough of Barking and Dagenham, administering authority to the Fund.

My opinion on the security of the prospective rights is based on:

- the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer; or
- the attained age valuation method for employers who were closed to new entrants.

These methods assess the cost of benefits accruing to existing members during:

- the year following the valuation; or
- the remaining working lifetime, respectively

allowing for future salary increases and for members to leave or retire in line with our assumptions. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the market value of assets.

Since assets have been taken into account at their market value, it is appropriate to take the lead from the market when setting the financial assumptions used to value the ongoing liabilities. This ensures the compatibility of the asset and liability valuation bases.

The key financial assumptions adopted for this valuation are as follows:

Financial Assumptions	March 2007	
	% p.a. Nominal	% p.a. Real
Discount Rate	6.1%	2.9%
Pay Increases	4.7%	1.5%
Price Inflation / Pension Increases	3.2%	-

The 2007 valuation revealed that the Fund's assets had a market value at 31 March 2007 of £530 million. These assets were sufficient to meet approximately 88% of the liabilities accrued up to that date.

Individual employers' contributions have been set in accordance with the Fund's Funding Strategy Statement. The deficits for each individual employer are being spread over a period of 16 years.

Experience since April 2007

Market conditions since the previous formal valuation have been unfavourable. In particular, assets have significantly underperformed relative to the assumptions set at the valuation and the outlook for price inflation has worsened causing the funding level to deteriorate.

This is likely to cause upward pressure on the level of employer contributions following the next formal valuation of the Fund as at 31 March 2010. The employer contribution rates and Funding Strategy Statement will be reviewed as part of the valuation which will be reported in March 2011.

Barry McKay FFA

For and on behalf of Hymans Robertson LLP

22 November 2010