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DATE: 17 October 2023

To: Members of the
LOCAL PENSION BOARD

Employer Representatives
Emma Downie
David Kellond

Member Representatives
Lesley Rickards
Gill Slater

A virtual meeting of the Local Pension Board will be held on **WEDNESDAY 25 OCTOBER 2023 AT 3.00 PM**

PLEASE NOTE: This will be a virtual meeting held via Microsoft Teams. Members of the press and public can view the meeting by contacting the Clerk (details above) to request joining details for the virtual meeting.

TASNIM SHAWKAT
Director of Corporate Services & Governance

Copies of the documents referred to below can be obtained from http://cds.bromley.gov.uk/

AGENDA

1 **APPOINTMENT OF CHAIRPERSON**

2 **APOLOGIES FOR ABSENCE**

3 **DECLARATIONS OF INTEREST**

4 **MINUTES OF THE MEETING HELD ON 27 JUNE 2023** (Pages 1 - 4)

5 **MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 11 SEPTEMBER 2023** (Pages 5 - 12)

6 **REPORT FROM THE PENSIONS COMMITTEE** (Pages 13 - 16)

a **LGPS CONSULTATION RESPONSE** (Pages 17 - 28) b **PENSION FUND PERFORMANCE Q1 2023/24** (Pages 29 - 68)

c **PENSION FUND ANNUAL REPORT 2022/23 WITH DRAFT ACCOUNTS** (Pages 69 - 190)

7 **PERFORMANCE MONITORING REPORT 2023/24 TO 25 OCTOBER 2023** (Pages 191 - 220)

8 **BROMLEY COMMUNICATIONS POLICY** (Pages 221 - 230)

9 **LOCAL PENSION BOARD - VERBAL UPDATE ON LATEST LGPS MATTERS**

10 **ANY OTHER BUSINESS**

11 **DATE OF NEXT MEETING**

LOCAL PENSION BOARD

Minutes of the meeting held at 3.00 pm on 27 June 2023

Present:

Emma Downie (Board Member, in the Chair)
Brayan Bernal-Gil and Lesley Rickards

Also Present:

Carrie Adubufour, Martin Doyle, Dan Parsons and Kerry Nicholls

1 ELECTION OF CHAIRMAN FOR THE MEETING

In the absence of the Chairman, the Board appointed Emma Downie as Chairman for the meeting.

RESOLVED: That the Local Pension Board appoint Emma Downie as Chairman for the meeting.

2 APOLOGIES FOR ABSENCE

There were no apologies for absence.

3 DECLARATIONS OF INTEREST

There were no additional declarations of interest.

4 MINUTES OF THE MEETING HELD ON 7 FEBRUARY 2023

RESOLVED: That the minutes of the meeting held on 7 February 2023 be agreed.

5 MINUTES OF THE PENSIONS COMMITTEE MEETINGS HELD ON 22 FEBRUARY, 13 MARCH AND 24 MAY 2023

RESOLVED: That the minutes of the meetings of the Pensions Committee on 22 February, 13 March and 24 May 2023 be noted.

6 REPORT FROM THE PENSION FUND COMMITTEE Report CSD23088

The Board considered a report presenting minutes and selected documents reviewed at the meetings of the Pensions Committee on 22 February, 13 March and 24 May 2023 including the report on Pension Fund Performance Q4 2022/23 and its appendices, the MJ Hudson Q4 2022/23 report and key developments in the Local Government Pension Scheme.

The Senior Accountant: Pensions advised that London Borough of Bromley

Pension Fund remained approximately 115% funded which represented a healthy position and provided scope for the Local Authority to invest in higher risk areas which offered better returns, including equities. This investment strategy combined with robust performance of equities in recent years had led to a misalignment of the Bromley Pension Fund tactical asset allocation with the Strategic Asset Allocation Benchmark being overweight in equities. The Pensions Committee was working address this imbalance and had lately sold the £70M Baillie Gifford Global Equity Fund to purchase £20M of the Fidelity Fixed Interest Fund and £15M each of the Fidelity and Schroders Multi-Asset Income Funds with £20M placed into the US Dollar account awaiting drawdown into the Morgan Stanley International Property Fund. Following extensive consideration by the Pensions Committee, the Local Authority's remaining investments with Baillie Gifford had recently been transferred to the London Collective Investment Vehicle. This was in line with Government guidance on regional pooling and was anticipated to realise savings in the cost of fund management. Moving forward, Environmental, Social and Governance would be a key area of focus and the Local Authority would be meeting with representatives of the London Collective Investment Vehicle in Summer 2023 to explore this further, including carbon weighting on pensions investments.

RESOLVED: That the Local Pension Board note:

- **The minutes of the meetings of the Pensions Committee held on 22 February, 13 March and 24 May 2023; and,**

- **Report on Pension Fund Performance Q4 2022/23 and appendices considered at the meeting of the Pensions Committee on 24 May 2023.**

7 LOCAL PENSION BOARD ANNUAL REPORT
Report CSD23089

The Board considered the draft annual report of the Local Pension Board which was an annual requirement under the Local Pension Board's Terms of Reference and would also be provided to Full Council via the Pensions Committee for noting.

RESOLVED: That the Local Pension Board:

- **Approves the draft annual report of the Local Pension Board; and,**

- **Approves the draft Local Pension Board workplan for 2023/24.**

8 PERFORMANCE MONITORING REPORT 2022-23 FULL YEAR AND 2023-24 YEAR TO 31 May 2023
Report CSD23090

The Board considered the Performance Monitoring Report 2022/23 and the Performance Monitoring Report for the 2023/24 financial year to 31 May 2023 which provided necessary information for the Local Pension Board to assess whether the Bromley Pension Fund was complying with the Pension Regulator's Code of Practice on Governance and Administration of public service pension schemes.

In introducing the report, the Head of the Pensions Shared Service outlined key statutory milestones completed during the year including the Triennial Valuation of the Pension Fund by Mercer which summarised the outcomes from the valuation at a Whole Fund level and for the Local Authority, with the outcomes being reflected in the Council Budget for the 2023/24 financial year. A Board Member reported that some pensioners had experienced issues with pension payment amounts in April and May 2023, and this issue would be flagged with Liberata as a matter of urgency. The Board Member underlined the importance of ensuring that pensioners received clear and timely information regarding their pensions and the Senior Accountant: Pension Fund was pleased to advise that work to introduce a secure self-service option for Pension Scheme members was nearing completion and would enable members to view their pension details and complete basic administration, such as updating contact or payroll details.

RESOLVED: That the Local Pension Board note:

- **The Pensions Regulator Code of Practice 'Governance and administration of public service pension schemes' as a guide to good governance;**
- **The procedures and policies in place to monitor Liberata's performance; and,**
- **Liberata's current performance levels.**

9 ANY OTHER BUSINESS

The Head of Pensions Shared Service/Senior Accountant (Pensions) led the Committee in thanking outgoing Chairman and Board Member, Vinit Shukle for his excellent contribution to the Local Pension Board. Other Board Members whose current terms were nearing expiry would be seeking reappointment and were thanked for their service.

10 DATE OF NEXT MEETING

The next meeting of the Local Pension Board would be held at 3.00pm on Thursday 12 October 2023.

11 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

The following summaries
refer to matters involving exempt information

12 EXEMPT MINUTES OF THE PENSIONS COMMITTEE MEETINGS HELD ON 22 FEBRUARY, 13 MARCH AND 24 MAY 2023

The Part 2 (Exempt) minutes of the meetings of the Pensions Committee on 22 February, 13 March and 24 May 2023 were noted.

The Meeting ended at 3.36 pm

Chairman

PENSIONS COMMITTEE

Minutes of the meeting held at 7.00 pm on 11 September 2023

Present:

Councillor Keith Onslow (Chairman)
Councillor Kira Gabbert (Vice-Chairman)
Councillors Simon Fawthrop, Simon Jeal, David Jefferys, Christopher Marlow, Ruth McGregor and Sam Webber

Also Present:

John Arthur, Apex Group Ltd

11 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

12 DECLARATIONS OF INTEREST

Councillor David Jefferys declared that he had been involved in HM Treasury's Patient Capital Review.

Councillor Simon Fawthrop declared that he was a member of the Local Government Pension Scheme.

13 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

14 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 24 MAY 2023, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED: That the minutes of the meeting held on 24 May 2023 be approved.

15 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

RESOLVED: That matters outstanding be noted.

16 PRESENTATION FROM BAILLIE GIFFORD

The Committee received a presentation from Baillie Gifford representatives, Tim Gooding, Global Equities Specialist, and Chris Murphy, Client Service Director providing an investment update on the London Borough of Bromley Pension Fund.

In considering the presentation, a Member queried why Baillie Gifford had not met its performance target over the five-year rolling period. The Global

Equities Specialist responded that the difficult financial climate of late-2021 and 2022 period had impacted performance in the short term, but that Baillie Gifford had every confidence in the strength of its investment portfolio in the medium to long-term. The Member asked why Netflix was still categorised as a 'Disrupter' investment and the Global Equities Specialist clarified that this reflected the flexibility of the company's business model including the recent introduction of Netflix Ad-Supported Plans that had attracted new subscribers and the significant potential for growth in markets such as China. Tesla Inc was also categorised as a 'Disrupter' as it had similar resilience within its business model and was well-placed to benefit from its innovation in new areas including grid-level battery storage. With regard to complete sales, the Global Equities Specialist advised that Baillie Gifford worked closely with the companies in which it invested, including promoting environmental social governance with a particular emphasis on strong governance and that complete sales were made for a number of reasons including performance and governance.

In response to a question from a Member about the United States, the Global Equities Specialist confirmed that significant investment opportunities were anticipated as a result of the passing of the Inflation Reduction Act, Infrastructure Investment and Jobs Act and the Chips and Science Act, including in the development and deployment of clean energy technology and the domestic research and manufacturing of semi-conductors. The Member also asked about the threat to intellectual property at a global-level and the Global Equities Specialist stated that whilst this remained a concern, countries that had previous disregarded intellectual property were now making their own advances. Another Member flagged a concern around ethical investment with Elon Musk, CEO of Tesla Motors choosing to limit Ukraine's access to satellite services and the Global Equities Specialist advised that the focus of Bailie Gifford was solely in relation to its investment in Tesla Inc. On a similar note, a Member queried the inclusion of Rio Tinto in the Investment Portfolio as this company had been criticised for its destruction of aboriginal rock shelters as well as for its workplace culture. The Global Equities Specialist confirmed that Baillie Gifford continued to engage closely with Rio Tinto regarding its governance and that the company had accepted all recommendations of the external review of its workplace culture. Environmental concerns would be a key area moving forward and Baillie Gifford would be particularly engaging with Rio Tinto around reducing its carbon emissions.

Another Member observed that the value of the fund as of 30 June 2023 was reported differently within the presentation and other sources and underlined the importance of ensuring clarity in financial reporting to support robust decision-making and scrutiny by the Committee.

The Chairman thanked the representatives of Baillie Gifford for their excellent presentation.

RESOLVED: That the presentation from Baillie Gifford be noted.

17 PRESENTATION FROM MORGAN STANLEY

The Committee received a presentation from Morgan Stanley representatives, Gareth Dittmer and Brian Niles, Managing Directors providing an investment update on the London Borough of Bromley Pension Fund.

In considering the presentation, the Chairman queried the modal shift to providing mezzanine debt and preferred equity. The Managing Director provided reassurance that investments made up 85-90% of the Portfolio but that the current economic climate had created an opportunity to secure a good return from lending short-term capital as well as by leasing assets on behalf of investment partners. With regard to other investments, the Managing Director advised that the increase in the proportion of spend invested in Europe had been in relation to specific investments that were likely to see a strong return, including hotel properties. The value of an investment in Garfield (UK) had declined significantly since it was first made in 2021 and the Managing Director explained that this was due to the increasing cost of construction and high inflation rates but that a profit was still anticipated on the overall investment. A Member asked about leverage and the sources of debt finance, and the Managing Director advised that borrowing was undertaken on a deal-by-deal basis using local currency and that a credit facility was also in place to help manage liquidity.

A Member observed that the G10 Portfolio snapshot presented an overall picture of the fund and requested that in future, reports focus on the specific investments of the London Borough of Bromley Pension Fund. Another Member queried the stated Projected Gross Return (Local Currency) for G10 of 16.2% / 1.5x as of 2023 and the Managing Director explained that this equated to the current projected return for all fund investments on a pooled basis being 1.5 times the original investment.

The Chairman thanked the representatives of Morgan Stanley for their excellent presentation.

RESOLVED: That the presentation from Morgan Stanley be noted.

18 LGPS CONSULTATION RESPONSE
Report FSD23058

The report presented the draft response of the Local Authority to the Government consultation on accelerating collective pooling of Pension Fund assets, Levelling Up and Private Equity Investments.

In introducing the proposed consultation response, the Director of Finance advised that the draft had been strengthened to reflect Member feedback. This included changes in relation to proposed reporting requirements which were considered to be excessive in some areas, as well as the lack of reporting obligations for regional pools. The Chairman added that the consultation response had also been amended to include minor changes suggested by the CEO of the London Collective Investment Vehicle (LCIV) who had voiced similar concerns to the Local Authority and other London Boroughs on the proposals for accelerating collective pooling of Pension Fund assets, Levelling Update and Private Equity investments.

A key question within the consultation was whether there should be a deadline for the transfer of funds to regional pools and the Director of Finance requested Members' views, suggesting that any such deadline should be set following tri-annual valuation with a further period allowed for asset allocation which for the Local Authority would be some time after April 2026. The Chairman suggested that no date should be set for transfer as it was likely to become a deadline, and this was agreed by Members. Another Member underlined the importance of feeding back how no decision should be made on mandatory investment until changes to the powers or structures of regional pools had been fully implemented. The Member also raised a concern regarding the response to Question 8 which asked whether funds should be able to invest through their own pool in another pool's investment vehicle, observing that any such arrangement would complicate asset ownership and that it would be more effective for Local Authorities to invest their funds directly in another pool. Another Member noted the proposed requirements for 'levelling up' and queried what would happen to investments made under this requirement should there be a change of Government for whom the 'levelling up' agenda was not a priority.

The Committee went on to discuss the response to Question 11 which asked whether funds should have an ambition to invest 10% of their funds into private equity. It was the strongly held view of Members that the lack of transparency of private equity as an asset class combined with a lack of existing in-house and fund manager expertise in this highly-complex area would make any such ambition an inappropriate and risky investment. This was particularly the case as the Local Government Pension Scheme was not a public fund but was a privately-owned fund that the Committee had a fiduciary duty to manage on behalf of Scheme Members. A Member asked that a statement to this effect be included in the consultation response and this was supported by the Committee. Another Member suggested that a paragraph that formed part of the response to Question 11 on investments outside the UK be removed as it contradicted an earlier statement and this was also supported by Members.

The Chairman advised that the draft Local Government Pension Scheme consultation response would be updated in line with the suggestions made with a view to submitting the consultation response by the end of September 2023.

RESOLVED: That the draft Local Government Pension Scheme consultation response be approved for submission.

19 PENSION FUND PERFORMANCE Q1 2023/24
Report FSD23060

The report provided a summary of the investment performance of Bromley's Pension fund in Quarter 1 of the 2023/24 financial year and included information on general financial and membership trends of the Pension Fund as well as details of key developments in the Local Government Pension Fund (LGPS) expected during the next five years.

In introducing the report, the Chairman noted that the Bromley Pension Fund's tactical asset allocation continued to deviate from the Strategic Asset Allocation Benchmark in being overweight in equities and it was proposed to undertake further rebalancing in the form of transferring 5% or £65M from the Baillie Gifford Global Equity Portfolio that was currently managed through the LCIV into a Short-Dated UK Corporate Bond fund managed by Fidelity. This proposal was supported by Members, although a Member underlined that should the transfer be agreed, the effect of this in rebalancing the Strategic Asset Allocation would mean there was no need to revise the Strategic Benchmark which was a subsequent recommendation of the report. It was also recommended to work with Fidelity on the costs and benefits of moving the Fund's fixed interest investments to a single segregated portfolio and should this be supported by Members, an update on this work would be provided to the Committee at its next meeting on 6 December 2023. It was also planned to revisit the Strategic Asset Allocation benchmark at the next meeting of the Committee and a Member suggested that consideration be given to disinvest from multi-asset income funds at that time as the increase in interest rates in recent months had made equity and bond funds a more attractive investment option.

With regard to other matters, the Chairman was pleased to note that progress had been made in implementing the Member Self-Service Pensions Portal and I-Connect (Employer) Portal and that the Member Self-Service Pensions Portal was scheduled to go live to deferred and active Pension Fund Members in October 2023. The Chairman also flagged that a Government consultation was anticipated on the potential removal of the age limit of 75 years for death grant lump sums as such a rule was now considered discriminatory and further updates would be provided to the Committee when available.

Councillor Simon Fawthrop moved that the proposal to switch 5% or £65m from the Baillie Gifford Global Equity Portfolio currently managed through the LCIV into a Short-Dated UK Corporate Bond fund managed by Fidelity be approved alongside the other report recommendations, excluding the recommendation seeking a revision of the Strategic Benchmark. The motion was seconded by Councillor Simon Jeal, put to the vote and CARRIED unanimously.

RESOLVED: That:

- **The contents of the report and appendices be noted.**

- **The recommendations in Appendix 5 be agreed as shown below:**

  i) To switch 5% or £65m from the Baillie Gifford Global Equity portfolio currently managed through the LCIV into a Short-Dated UK Corporate Bond fund managed by Fidelity;

ii) Agree to follow up with Fidelity the costs and benefits of moving the Fund's fixed interest investments to a single segregated portfolio; and,

iii) Agree the cash management arrangement as highlighted in the Apex report.

- **Appendix 6 which set out the key developments in the Local Government Pension Fund expected during the next five years be noted.**

20 PENSION FUND ANNUAL REPORT 2022/23 WITH DRAFT ACCOUNTS
Report FSD23061

The report presented the draft Pension Fund Annual Report and Accounts 2022/23, which set out details of the administration and performance of the London Borough of Bromley Pension Fund during the 2022/23 financial year for consideration and approval by the Committee. The Pension Fund was required by the Local Government Pension Scheme Regulations 2013 to publish an Annual Report and Statement of Accounts, and this was also subject to external audit.

Councillor Simon Fawthrop moved that the draft Pension Fund Annual Report and Draft Accounts for the 2022/23 financial year be approved as recommended. The motion was seconded by Councillor Christopher Marlow, put to the vote and CARRIED unanimously.

RESOLVED: That the draft Pension Fund Annual Report and Draft Accounts for the 2022/23 financial year be approved.

21 LOCAL PENSION BOARD ANNUAL REPORT
Report CSD23089

The report presented the Local Pension Board Annual Report which had been approved by the Local Pension Board at its meeting on 27 July 2022 and would also be provided to Council for noting. The Draft Annual Report comprised a range of information including a summary of the work of the Local Pension Board during the past year and details of areas of concern reported to or identified by the Board as well as any training undertaken by Board Members.

RESOLVED: That the Annual Report of the Local Pension Board be noted.

22 LOCAL PENSION BOARD: APPOINTMENT OF BOARD MEMBERS
Report CSD23097

The report sought approval to appoint two Scheme Member representatives to the Local Pension Board as Board Members.

RESOLVED: That Lesley Rickards and Gill Slater be formally appointed as Scheme Member representatives to the Local Pension Board for four-year terms of office commencing 11 September 2023.

23 UPDATES FROM THE CHAIRMAN/DIRECTOR OF FINANCE/PENSIONS INVESTMENT ADVISOR

The Chairman and the Director of Finance provided a Part 1 (Public) update to the Committee on recent developments relating to pensions.

The Charman advised that the annual Pension seminar would take place on 2 December 2023 and all Members would be invited to attend.

RESOLVED: That discussions under the Part 1 (Public) update be noted.

24 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

The following summaries refer to matters involving exempt information

25 CONFIRMATION OF EXEMPT MINUTES - 24 MAY 2023

The Part 2 (Exempt) minutes of the meeting held on 24 May 2023 were approved.

26 UPDATES FROM THE CHAIRMAN/DIRECTOR OF FINANCE/PENSIONS INVESTMENT ADVISOR (PART 2)

No Part 2 (Exempt) update was given.

The Meeting ended at 10.03 am

Chairman

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Report No.
CSD23131

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**LOCAL PENSION BOARD**
Date:	**25 October 2023**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**REPORT FROM THE PENSIONS COMMITTEE**
Contact Officer:	Martin Doyle – Head of Pensions Shared Service Tel No: 020 8871 6522 E-mail: martin.doyle@richmondandwandsworth.gov.uk
Chief Officer:	Director of Finance
Ward:	Borough Wide

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1. Reason for report

1.1 The Local Pension Board is requested to review the minutes (see agenda item 5) and reports (see agenda items 6a-c) from the meeting of the Pensions Committee held on Monday 11 September 2023 and raise any comments or concerns to be reported to the next meeting of the Pensions Committee on 6 December 2023.

2.1 Members of the Local Pension Board are asked to note the reports considered at the meeting of the Pensions Committee on 11 September 2023 and the minutes of this meeting:

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A

Corporate Policy

1. Policy Status: Existing Policy. The Council's pension fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.
2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: No Cost
2. Ongoing costs: TBC
3. Budget head/performance centre: Pension Fund
4. Total current budget for this head: TBC
5. Source of funding: Contributions to Pension Fund

Personnel

1. Number of staff (current and additional): The Local Pension Board comprises of 2 Employer Representatives and two Member Representatives. The Board is supported by the Head of Pensions Shared Service.
2. If from existing staff resources, number of staff hours: N/A

Legal

1. Legal Requirement: Statutory Requirement Local Government Pension Scheme Regulations 2013 (as amended).
2. Call-in: Not Applicable: No Executive decision.

Procurement

1. Summary of Procurement Implications: N/A

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,208 current active members, 7,978 deferred pensioners and 6,064 pensioner members (for all employers in the Fund) as at 30 September 2023.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Reviewing these documents will assist the scheme manager in ensuring the efficient governance and administration of the Scheme. With regard to any comments that the Local Pension Board may have on any other papers on this agenda, it is proposed that these be notified to the next Pensions Committee.

3.2 Reviewing the Pensions Committee documents will ensure that the Board is fulfilling its oversight function.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.

5. FINANCIAL IMPLICATIONS

5.1 None arising from directly from this report.

6. LEGAL IMPLICATIONS

6.1 The Public Service Pensions Act 2013 provides primary legislation for all public service schemes including the LGPS 2014.

Non-Applicable Sections:	Procurement/Personnel Implications and Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Public Service Pensions Act 2013; Local Government Pension Scheme Regulations 2013 (as amended); Code of Practice 'Governance and Administration of Public Service Pension Schemes' The Pensions Regulator Engagement Report "Governance and administration risks in public service pension schemes"

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Report No.
FSD23058

London Borough of Bromley

PART 1 – PUBLIC

Decision Maker:	**PENSIONS COMMITTEE**
Date:	**September 11th 2023**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**LGPS CONSULTATION RESPONSE**
Contact Officer:	Dan Parsons, Senior Accountant Tel: 020 8313 3176 E-mail: dan.parsons@bromley.gov.uk
Chief Officer:	Peter Turner, Director of Finance Tel: 020 8313 4668 Email: peter.turner@bromley.gov.uk
Ward:	Borough Wide

1. Reason for report

1.1 This report contains the London Borough of Bromley response to the Government consultation for consideration by the Pensions Committee, on accelerating collective pooling of Pension Fund assets, Levelling Up and Private Equity investments.

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2. RECOMMENDATIONS

2.1 The Pensions Committee is asked to consider the LGPS Consultation response in Appendix 1.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

2. BBB Priority: Excellent Council .

Financial

1. Cost of proposal: No cost

2. Ongoing costs: Recurring cost. Total administration costs estimated at £5.9m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £49.6m expenditure (pensions, lump sums, etc); £57.6m income (contributions, investment income, etc); £1,269.6m total fund market value at 31st March 2023

5. Source of funding: Contributions to Pension Fund

Staff

1. Number of staff (current and additional): 1 FTE

2. If from existing staff resources, number of staff hours: 36 hours per week

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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS (Management and Investment of Funds) Regulations 2016

2. Call-in: Call-in is not applicable. No Executive decision.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,509 current employees; 6,019 pensioners; 6,443 deferred pensioners as at 31st March 2023

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMMENTARY

3.1 The LGPS Consultation Response document contains responses to the Government's Next Steps on Investments consultation. The responses have been discussed with the Chairman, Vice Chairman, and Independent Adviser and are presented to the Committee for consideration.

3.2 The Committee is therefore asked review Bromley's responses reflect the feedback that the Committee would like to be given to The Government on behalf of Bromley Pension Fund, on subjects including accelerated pooling, levelling up and private equity.

3.3 Members are requested to refer to Appendix 1. Any comments on this response are to go directly to the Director Finance, and updates to this response will be provided at the Pensions Committee meeting.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g., equities, bonds, property etc., and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications at present.

6. LEGAL IMPLICATIONS

6.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended). The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) set out the parameters for the investment of Pension Fund monies. Under the 2013 LGPS Regulations, an Annual Report is required to be published by 1st December.

Non-Applicable Sections:	Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications
Background Documents: (Access via Contact Officer)	None.

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APPENDIX 1

Response to LGPensions@levellingup.gov.uk

Response by 2nd October 2023

Response on behalf of London Borough of Bromley (on behalf of organisation)

Submitted by Peter Turner, Director of Finance, London borough of Bromley.

The Council welcomes the opportunity to respond to the Next Steps on Investments consultation document.

The role of managing the pension fund is a critical function in the interests of the Council Taxpayers and members of the fund. The consultation paper recognises this and refers to '*while long term stable returns in order to pay pensions for its members is its primary purpose*' and is '*important to financial stability of councils*' and ultimately the interest of council taxpayers'.

However, the consultation paper refers to 'the Government believe there is scope to deliver substantial benefits to the UK as a whole at the same time'. The Council's response considers that such benefits must not be at the expense of the funds primary objective or a Council's fiduciary duty (achieving what is best for the financial position of the fund). Such conflict needs to be avoided and not part of any Government requirement that creates a clear conflict to The Fund's primary objective.

Bromley's Fund primary focus is on having sufficient resources for paying pensions whilst minimising the cost to the council taxpayer. This requires a long-term view of investments with the need to consider net overall returns ensuring that even with cost savings there is good performance (hence the emphasis on the net overall returns).

The fund is valued at around £1.3 billion and using benchmark data (PIRC), the long-term approach has resulted in the fund being the fifth best performer over 5 years, 2nd over 10 and 20 years and 1st over 30 years. The fund is also 115% fully funded. The fund has received national recognition for its performance and won various LAPF awards including the LGPS Investment Performance of the Year in 2017, the LGPS Fund of the Year (assets under £2.5bn) in 2018, commendation in 2019 and the final shortlist for 2020. Bromley also won the Pensions, Treasury and Asset Management Award at CIPFA's Public Finance Awards in 2019 and 2021 recognising the consistent high performance of the Fund.

The fund remains open minded to investing in higher risk, higher return asset classes, but the view remains that we should not be directed to invest in particular areas through future regulation, which could not only be detrimental to longer term investment returns but could also increase costs met by local council taxpayers.

RESPONSE TO QUESTIONS IN CONSULTATION DOCUMENT

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

Although the creation of pools has led to longer term reduction in costs the impact of transitional costs has reduced the shorter- and medium-term impact of any savings. However, it should not be assumed that these pools have led to overall improved performance for pension funds particularly as there is no proof that larger AuM funds perform better. The best long-term performing LGPS funds are smaller funds such as Orkneys and LB Bromley partly through a high, long-term allocation to growth equities.

Given the current number of pools there needs to be a longer period of development rather than seeking to reduce the number of pools at the current time. In reality, any desire for a further round of consolidation will only further delay pooling. It brings into question why a fund would transfer its listed assets into a pool, with associated transition costs, only to find that it will need to incur further transition costs when the pool merges with another pool.

Reference to such changes could cause disruption at the current time and any uncertainty can impact on their ability to attract and retain high quality staff.

We have not seen Chair, CIO or CEO stability in any pool, highlighting the key person risk in even institutions with £50bn plus of assets. The majority of the successful asset managers have AuM a multiple of this and manpower and resources which would dwarf a £50-70bn pool. There is also no guarantee that pools can make better management selection choices than individual pension funds and, on that basis, may not add value. The consultation document refers to 'implementation decisions such as manager selection having a relatively small impact'. This may apply when looking at the average impact across the pension fund community but in Bromley's case our exceptional longer-term performance is driven heavily by the right choice of active fund manager for global equities. On that basis, pension funds should retain the right to procure the fund managers but there is value in consulting with the individual pool to assist. This leaves clearer accountability for performance with pension funds, but funds can still choose to recruit managers through the pools if they wish. Pension funds should be allowed to make that choice.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Pension funds have to consider transitional costs and whether there are potential savings in costs from such a transfer. If there are shorter term investments, it may not be in the interest of a pension fund to have to transition all listed assets. For certain assets whether the pools do not offer 'scale' for the investment there could be no savings at all, transition costs having to be incurred and the fund effectively paying a management fee to the pool resulting in a net increase in costs to the fund.

You could also have a situation where the pool does not offer the portfolios which a fund requires, and it would not be right to alter investment strategies or other compromises in fund manager choices to meet the Government deadline and divert away from optimal investments for the fund.

Given any funds fiduciary duties this requirement should remain on a voluntary basis to ensure that the interests of funds are protected. On that basis a 'one size fits all' for transfer should not be prescribed.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

There is always value in guidance to provide better clarity and any guidance that supports the further development of funds and pools interacting is welcomed. However, it should focus on practical issues and be evidenced driven. The Scheme Advisory Board, through consulting with individual pension funds would be a good starting point for developing revised guidance.

Although the consultation refers to 'we do not see inter-pool competition as a desirable progression', we are concerned of the inherent risk of a 'monopoly' position created by funds not having a choice to change and inter-pool competition should be seen as creating healthy performance and have greater focus on meeting partner funds interest. The FCA regulation requirements could impact on the ability of partner funds to influence the pools and competition would create a welcome influence.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Given the significant investment value of individual pension funds and the impact of investment decisions on the overall cost to council taxpayers we agree that this should be included in the guidance. We do not want it to be too extensive so as to discourage councillors, with much to offer, from serving on pensions committee. There could be a risk, which needs to be managed carefully, of being unable to recruit councillors to join this important 'stewardship' committee.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Regarding question 5 and 6 We support greater transparency and accountability and any further progress on using measurable data is supported. However, such data should not be used to put 'pressure' on funds to meet Government ambitions for investment/pooling which may have a detrimental impact on meeting the funds fiduciary duties.

Where there is reporting of 'net savings achieved as a result of investing via the pool', we are concerned that the current reporting does not accurately reflect the financial impact relating to other costs such as transition costs and depository costs which could be higher, as well as identifying savings compared with a funds existing negotiated management fees rather than using standard management fee rates. This clearly needs to be reviewed to provide the necessary confidence in any reported net savings figure.

Chapter 3: LGPS investments and levelling up

Question 7: Do you agree with the proposed definition of levelling up investments?

The definition is fairly broad, and it is important not to create additional resource demands through the classification of investments work to determine whether an investment meets the levelling up criteria. The focus should remain primarily on the best investments to meet the long- term objectives of the fund rather than being explicit about the proportion of investments expected to meet levelling up requirements. The approach to aim/meet a proportion of Government specified investment must not be a statutory requirement and therefore should be treated as guidance only and not result in Government intervention because the proportion of investment has not been achieved. Such measures distort accountability for the performance of the fund particularly if following a specified proportion has a detrimental effect on overall investment returns. Accountability should remain with the pension funds who have accountability to both members of the fund and the council taxpayer.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Yes, we do. We would prefer the option of having a choice to invest in different pools depending on the investment required and through competition and economies of scale that would deliver better cost savings. We have investment in Baillie Gifford global equities and so do many other funds. Why can't the investment be made through one of the pools only to provide greater cost savings due to scale? Realistically there is a risk that pools will wish to retain the specific investment individually given their individual management fee (AuM) for such investments?

Is any pool going to drop an asset class until they have failed at it and even then for a Fund to purchase another pools investments through its own pool will only add a further round of fees.

Having the restriction to stay within one pool reduces competition which ultimately could reduce potential cost reductions and net overall performance returns. Pools investing through another pool does rely on a high degree of collaboration between pools and without direct competition that becomes problematic.

At present, LCIV continue to work with single manager portfolios offering a total of 9 Global Equity portfolios at present, this approach undermines the argument for pools to provide an economy of scale.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

We do not see the value in publishing such data and it creates a danger of a league table perception which could encourage funds to make further investments in levelling up which may not be in the best interest of the fund meeting its fiduciary duty.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

As per response in Question 9.

Chapter 4: Investment opportunities in private equity

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

We do not believe that there should be any targets/direction for private equity or any other asset classes, given the fiduciary duty for pension funds and the need to meet their key objective to pay members pensions and reduce the overall cost to the council taxpayer.

There is no standard benchmark for private equity which measures overall performance and although there are headlines about high performance that may exclude some poor performing/failing private equity investments which are not recorded. It is also important to recognise that private equity has enjoyed success by creating additional leverage during a low borrowing rate period and realizing assets during that period to generate high dividends. UK has experienced low borrowing rates for over 14 years but that is expected to change for the future, which is supported by the significant increase in rates currently being experienced. It is also important to recognise that entering Private Equity when valuations are high will inhibit future returns.

As required by FCA 'past performance does not guarantee future results.' Therefore, there is no certainty that this would be the right investment choice for pension funds and creating ambitions/targets could effectively ultimately lead to a deterioration in overall performance of a fund due to the pressure to deliver the Government's ambition.

Many predictions indicate that private equity returns will be lower than the 12% or so they have been historically. In absolute terms, given leverage (at fund and operational levels, high beta and earlier stage companies) then higher returns are possible and one might expect a higher gross return over sufficiently long periods. However, this comes with a wider range of outcomes and a higher degree of risk, as well as higher fees.

In terms of supporting investment in the UK, the economy's GDP accounts for 2.06% of world GDP. Therefore even having an ambition to deliver a proportion of private equity investments could result in most, if not all, investments being outside the UK, given the global investments undertaken through LGPS pension funds.

Any asset class for investment is already considered as part of funds Asset Allocation Review which are normally undertaken at least every three years. Private Equity may add value. However, is there a need to specify any ambition when all types of investments (including private equity) are considered including cost (private equity has higher AuM), risk, reward, liquidity and investment timeframe. Therefore requirement to invest in any asset class should not be prescribed by Government, recognising funds fiduciary duties.

Private Equity does not deliver steady cashflow which has to be a consideration in pension funds asset allocation strategy. Any sell in a hurry could result in a LDI crisis as seen last autumn.

The average holding period for a private equity investment is 4-5 years, often then selling on to another private equity Fund. This does not fit with the ideals of long-term investment as stated in Bromley's own Investment Strategy Statement.

As a less transparent area of the market, ESG data is less disclosed and management less incentivised to act in accordance with best practice in this area.

Ultimately, there could be a place for (global) PE in the LGPS, without it having to be mandated. A well-resourced and sophisticated LGPS fund or Pool should be equipped to make that decision.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

We have no objection to this suggestion and see potential benefits.

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

We support this suggestion.

Chapter 6: Updating the LGPS definition of investments

Question 14: Do you have any comments on the proposed amendment to the definition of investments?

We support any clarity on definitions within regulations.

Chapter 7: Public sector equality duty

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

We have no comments to add.

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Report No.
FSD23060

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**PENSIONS COMMITTEE**
Date:	**11 September 2023**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSION FUND PERFORMANCE Q1 2023/24**
Contact Officer:	Dan Parsons, Senior Accountant Tel: 020 8313 3176 E-mail: dan.parsons@bromley.gov.uk
Chief Officer:	Peter Turner, Director of Finance Tel: 020 8313 4668 Email: peter.turner@bromley.gov.uk
Ward:	Borough Wide

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1. Reason for report

1.1 This report provides a summary of the investment performance of Bromley's Pension Fund in the 1st quarter of 2023/24. The report also contains information on general financial and membership trends of the Pension Fund and summarised information on early retirements.

1.2 The report also includes key developments in the Local Government Pension Fund (LGPS) expected during the next 5 years.

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2. RECOMMENDATIONS

2.1 The Pensions Committee is asked to note the contents of the report and information contained in the related appendices.

2.2 The Pensions Committee is asked to;

a) Agree the recommendations detailed in Appendix 5, as shown below;

i. To switch 5% or £65m from the Baillie Gifford Global Equity portfolio currently managed through the LCIV into a Short-Dated UK Corporate Bond fund managed by Fidelity;

ii. Subject to agreement of i) above, revise the Strategic Benchmark to reflect this change;

iii. Agree to follow up with Fidelity the costs and benefits of moving the Fund's fixed interest investments to a single segregated portfolio; and,

iv. Agree the cash management arrangement as highlighted in the Apex report.

b) Note Appendix 6 which sets out the key developments in LGPS expected during the next 5 years.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: Recurring cost. Total administration costs estimated at £5.9m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

    3. Total current budget for this head: £49.6m expenditure (pensions, lump sums, etc); £57.6m income (contributions, investment income, etc); £1,269m total fund market value at 31st March 2023

    4.

5. Source of funding: Contributions to Pension Fund

Staff

1. Number of staff (current and additional): 1 FTE

2. If from existing staff resources, number of staff hours: 36 hours per week

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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS (Management and Investment of Funds) Regulations 2016

2. Call-in: Call-in is not applicable.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,509 current employees; 6,019 pensioners; 6,443 deferred pensioners as at 31st March 2023

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMMENTARY

3.1 Fund Value

3.1.1 The market value of the Fund ended the June quarter at £1,282.7m, up £13.1m as at 31st March. The comparable value as at 30th June 2022 was £1,231.2m. Historic data on the value of the Fund are shown in a table and in graph form in Appendix 1.

3.2 Performance Targets and Investment Strategy

3.2.1 Historically, the Fund's investment strategy was broadly based on a high level 80%/20% split between growth seeking assets (representing the long-term return generating part of the Fund's assets) and protection assets (aimed at providing returns to match the future growth of the Fund's liabilities). Between 1998 and 2012, Baillie Gifford and Fidelity managed balanced mandates along these lines, and, a comprehensive review of the Fund's investment strategy in 2012 confirmed this high-level strategy. It concluded that the growth element would, in future, comprise a 10% allocation to Diversified Growth Funds (DGF) and a 70% allocation to global equities, with a 20% protection element remaining in place for investment in corporate bonds and gilts.

3.2.2 The asset allocation strategy was reviewed again during 2016/17, mainly to address the projected cash flow shortfall in future years, and a revised strategy was agreed on 5th April 2017. The revised strategy introduced allocations to Multi Asset Income Funds (20%) and Property Funds (5%), removed Diversified Growth Funds, and reduced the allocations to Global Equities (to 60%) and Fixed Income (to 15%). In order to implement the revised strategy, it was agreed to sell all of the Diversified Growth Funds and the Blackrock Global Equities assets.

3.2.3 At the meetings on 21st November and 14th December 2017 the Committee appointed Schroders (60%) and Fidelity (40%) to manage the MAI fund mandates and Fidelity to manage a UK pooled property fund mandate. The Fidelity MAI and initial drawdown of the property fund were completed in February 2018 and the Schroders MAI investment completed in May 2018. A further drawdown of the Fidelity property fund was completed in August 2018. The final drawdown of the Fidelity property was completed in December 2018. The sale of the balance of the Blackrock fund was completed in May 2019 and transferred to Fidelity's MAI Fund, as agreed by this Committee at its meeting held on 15th May 2019.

3.2.4 The asset allocation strategy was reviewed again during 2019/20, and a revised strategy has been finalised. The revised strategy has amended the allocations as follows: Equities (58%), Multi Asset Income Funds (20%), Fixed Income (13%), UK Real Estate (4%) and International Property (5%).

3.2.5 In February 2023, the portfolio was rebalanced. The Committee agreed to sell £70m of the Baillie Gifford Global Equity Fund to purchase £20m of the Fidelity Fixed Interest Fund, £15m each of the Fidelity and Schroders Multi-Asset Income Funds and put £20m into the US Dollar account awaiting drawdown into the Morgan Stanley International Property Fund. In May 2023 the Committee agreed to further review Asset Allocation at the December 2023 meeting.

3.2.6 The Committee voted to pool the remaining Baillie Gifford Global Equity Fund with the London Collective Investment Vehicle. An in-specie transfer finalised on 22nd May 2023 and a new quarterly report on performance (Q2) is available from London CIV and has been included in the agenda pack.

3.3 Summary of Fund Performance

3.3.1 <u>Performance data for 2023/24 (short-term)</u>

A detailed report on fund manager performance in the quarter ended 30th June 2023 is provided by the fund's external adviser, Apex in Appendix 5. The total fund return for the first quarter was -0.23% against the benchmark of 1.45%. Further details of individual fund manager performance against their benchmarks for the quarter, year to date, 1, 3 and 5 years and since inception are provided in Appendix 2.

3.3.2 Medium and long-term performance data

The Fund's medium and long-term returns have remained strong overall, though this year there was variable performance in the first quarter, and there has been a slight underperformance versus benchmark. In 2022/23 there was a return of -3.72% against a benchmark of -2.59%. In 2021/22 there was a return of 0.7% against a benchmark of 8.7%. There was a return of 34.1% against a benchmark of 23.6% in 2020/21. The returns for 2019/20 and 2018/19 were -2.7% and 8.0% against the benchmark of -1.8% and 8.3% respectively.

Performance rankings were available at the time this report was drafted. The overall Fund ranked 63rd against the 63 funds in the PIRC LGPS universe for the year to 31st March 2023, 50th over 3 years, 20th over 5 years, second over 10 years and 20 years and first over 30 years.

The following table shows the Fund's long-term rankings in all financial years back to 2012/13 and shows the medium to long-term returns for periods ended 31st March. The medium to long-term results have been very good and have underlined the fact that the Fund's performance has been consistently strong over a long period.

Year	Whole Fund Return	Benchmark Return	Local Authority Average*	Whole Fund Ranking*
	%	%	%	
Financial year figures				
2022/23	***-3.72***	***-2.59***	***-1.6***	***63***
2021/22	0.7	8.7	8.6	60
2020/21	34.1	23.6	22.8	2
2019/20	-2.7	-1.8	-4.8	22
2018/19	8.0	8.3	6.6	11
2017/18	6.7	3.1	4.5	3
2016/17	26.8	24.6	21.4	1
2015/16	0.1	0.5	0.2	39
2014/15	18.5	16.4	13.2	7
2013/14	7.6	6.2	6.4	29
2012/13	16.8	14.0	13.8	4
3 year ave to 31/3/23	***9.1***	***9.4***	***9.5***	***50***
5 year ave to 31/3/23	***6.4***	***6.8***	***5.9***	***20***
10 year ave to 31/3/23	***8.9***	***n/a***	***7.3***	***2***
20 year ave to 31/3/23	***10.0***	***n/a***	***8.4***	***2***
30 year ave to 31/3/23	***8.5***	***n/a***	***7.7***	***1***

*The most recent LA averages and ranking as at 31/03/23 are based on the PIRC LA universe containing 63 of the 89 funds.

3.3.3 In addition to winning the LGPS Investment Performance of the Year in 2017, the LGPS Fund of the Year (assets under £2.5bn) in 2018, Bromley was also in the final shortlist for 2019 and 2020. Bromley also recently won the Pensions, Treasury and Asset Management Award at CIPFA's Public Finance Awards 2021, recognising the consistent high performance of the Fund.

3.3.4 Performance Measurement Service

As previously reported in April 2016, the Council was informed that WM Company (State Street) would cease providing performance measurement services to clients to whom they do not act as custodian with effect from June 2016. There are currently no providers offering a like for like service, so the Council is using its main custodian, BNY Mellon, to provide performance measurement information and the 2nd quarter summary of manager performance is provided at Appendix 2. PIRC currently provide LA universe comparator data and, at the time of writing, has 63 of the 89 LGPS funds (71%) signed up to the service including the London Borough of Bromley.

3.4 **Early Retirements**

3.4.1 Details of early retirements by employees in the Fund are shown in Appendix 3.

3.5 **Admission agreements for outsourced services**

3.5.1 Bromley MyTime has made its pension deficit repayments in line with the draft repayment plan. The amount outstanding is approximately £0.78m.

3.5.2 The July Year End Accounting exercise for Ravensbourne University is underway.

3.5.3 Member Self Service pensions portal and I-Connect (employer) portal are being implemented by Aquilla Heywood. The project is in the very final stage, and all implementation and testing has been completed. The MSS portal will go live to deferred and active members in October 2023 and the project is currently £6k under budget.

3.6 **Fund Manager attendance at meetings**

3.6.1 Meeting dates have been set to February 2024. While Members reserve the right to request attendance at any time if any specific issues arise, the timetable for subsequent meetings is as follows although this may be subject to change.

Meeting 6 Dec 2023 – MFS
Meeting 21 Feb 2024 – Schroders

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1 Details of the outturn for the 2022/23 pension fund revenue account are provided in Appendix 4 together with fund membership numbers. A net provisional surplus of £24.4m including re-invested income of £11m. A net provisional surplus of £13.4m excluding re-invested income occurred during 2022/23 and membership numbers rose by 393 in the year. In the first quarter of 2023/24 total membership numbers increased by 50.

5.2 The Director Finance has approved the use of a temporary Money Market Fund (MMF) operated by Bromley Council, for excess Pension Fund cash to be allocated into in the interim, to maximise the interest accrued on any cash balances. Officers are in the process of setting up a PF specific MMF, which could take several months due to due diligence, know your customer and other checks.

6. LEGAL IMPLICATIONS

6.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended). The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) set out the parameters for the investment of Pension Fund monies.

Non-Applicable Sections:	Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications
Background Documents: (Access via Contact Officer)	Monthly and quarterly portfolio reports of Baillie Gifford, Fidelity, London CIV, MFS, Morgan Stanley and Schroders.

APPENDIX 1

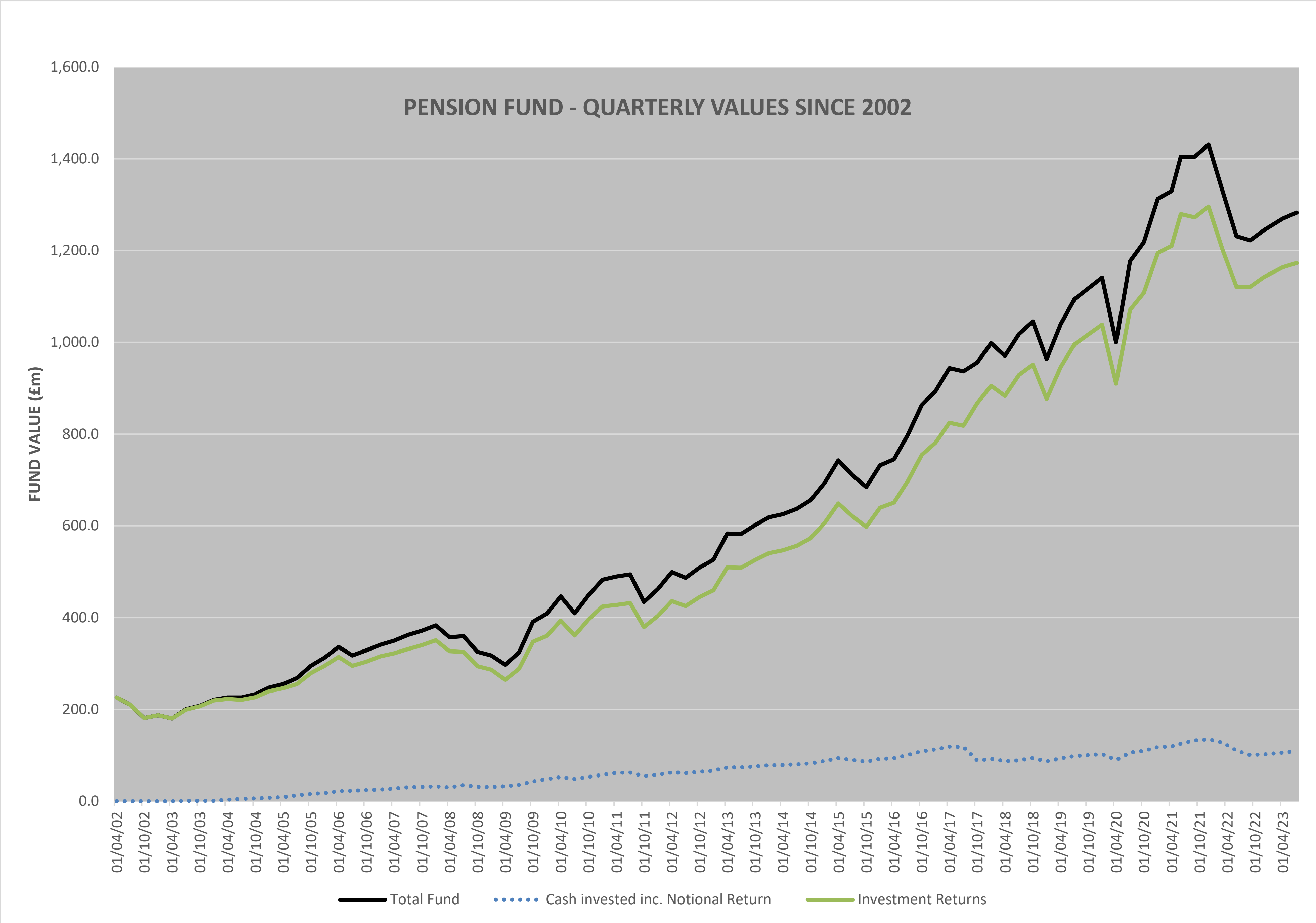
MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

	Baillie Gifford					Fidelity							Blackrock	MFS		Schroders	CAAM	
Date	Balanced Mandate	DGF	Fixed Income	Global Equities	Total	Balanced Mandate	Fixed Income	MAI	Property	Sterling Bond	USD ILF	Total	Global Equities	Global Equities	DGF	MAI	LDI Investment	**GRAND TOTAL**
31/03/2002	113.3				113.3	112.9						112.9						226.2
31/03/2003	90.2				90.2	90.1						90.1						180.3
31/03/2004	113.1				113.1	112.9						112.9						226
31/03/2005	128.5				128.5	126.7						126.7						255.2
31/03/2006	172.2				172.2	164.1						164.1						336.3
31/03/2007	156				156	150.1						150.1					43.5	349.6
31/03/2008	162				162	151.3						151.3					44	357.3
31/03/2009	154.4				154.4	143						143						297.4
31/03/2010	235.4				235.4	210.9						210.9						446.3
31/03/2011	262.6				262.6	227						227						489.6
31/03/2012	269.7				269.7	229.6						229.6						499.3
31/03/2013#	315.3	26.5			341.8	215.4						215.4			26.1			583.3
31/03/2014@	15.1	26.8	45.2	207.8	294.9		58.4					58.4	122.1	123.1	27			625.5
31/03/2015		45.5	51.6	248.2	345.3		66.6					66.6	150.5	150.8	29.7			742.9
31/03/2016		44.8	51.8	247.9	344.5		67.4					67.4	145.5	159.2	28.3			744.9
31/03/2017		49.3	56.8	335.3	441.4		74.3					74.3	193.2	206.4	28.5			943.8
31/03/2018$&			58	380	438		75.6	79.2	15.9			170.7	155.2	206.8				970.7
31/03/2019			59.2	416.5	475.7		78.7	78.8	48.6			206.1	11.4	230.2		115.8		1,039.20
31/03/2020			60.9	411.85	472.7		83.5	80.6	47			211.1		220.3		96.1		1,000.30
30/06/2020			65	529.8	594.8		88.4	87.5	45.6			221.5		254.3		106.8		1,177.40
30/09/2020/			65.4	524.8	590.2		89	128.3	44.7			262		259.2		106.6		1,218.00
31/12/2020\				585.3	585.3		91	133	45.5	67.7		337.2		278.8		111.7		1,313.00
31/03/2021				597.7	597.7		85.7	131.4	46.3	64.8		328.2		293.1		110.9		1,329.90
30/06/2021*				621.2	621.2		87.4	134.8	69.5	66.2		357.9		311.2		114.5		1,404.80
30/09/2021				614.6	614.6		86.5	134	71.6	65.4		357.5		319.5		113.3		1,404.90
31/12/2021				602.3	602.3		87.4	132.1	75.5	65.8	14.1	374.9		340		114.2		1,431.40

MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002 CONTINUED

	Baillie Gifford		Fidelity						MFS	Schroders	MS	
Date	Global Equities (LCIV)	Total	Fixed Income	MAI	Property	Sterling Bond	USD ILF	Total	Global Equities	MAI	USD Property	**GRAND TOTAL**
31/03/2022	527.8	527.8	81.2	125.5	77.9	61.2	14.8	360.6	332.9	108.7		1,330.09
30/06/2022	466.7	466.7	73.9	117.1	81.0	56.6	8.6	337.2	318.8	100.7	7.6	1,231.02
30/09/2022	474.4	474.4	65.5	109.8	78.0	50.6	5.3	309.2	329.2	97.6	11.8	1,222.20
31/12/2022	486.0	486.0	67.3	110.2	65.7	53.1	3.9	300.2	348.3	98.0	12.3	1,244.80
31/03/2023[x]	438.3	438.3	78.6	124.4	65.1	63.5	20.5	352.0	350.2	114.8	14.2	1,269.60
30/06/2023[y]	454.7	454.7	74.6	120.7	63.9	61.8	20.2	341.2	359.4	113.3	14.1	1,282.70

£50m Fidelity equities sold in Dec 2012 to fund Standard Life and Baillie Gifford DGF allocations.
@ Assets sold by Fidelity (£170m) and Baillie Gifford (£70m) in Dec 2013 to fund MFS and Blackrock global equities
$ £32m Blackrock global equities sold in July 2017 to pay group transfer value re Bromley College
& Assets sold by Baillie Gifford (£51m), Standard Life (£29m) and Blackrock (£19m) in Feb 2018 to fund Fidelity MAI and Property funds.
£ Assets sold by Blackrock (£120m) in May 2018 to fund Schroder MAI fund.
^ Assets sold by Blackrock (£20m) in August 2018 to fund Fidelity Property fund
* Assets sold by Blackrock (£13.7m) in December 2018 to fund Fidelity Property fund.
" Assets sold by Blackrock (£11.6m) in May 2019 to fund Fidelity MAI
/ Assets sold by Baillie Gifford (£41.2m) in Aug 2020 to fund Fidelity MAI fund
\ Assets sold by Baillie Gifford (£65.5m) in Oct 2020 to fund Fidelity Sterling Corporate Bond fund
*Assets sold by Baillie Gifford (£14.4m) in June 2021 to fund Fidelity Property fund
[x] Assets sold by Baillie Gifford (£70.0m) in Feb 2023 to rebalance the portfolio, and fund £20m of the Fidelity Fixed Interest Fund, £15m each of the Fidelity and Schroders Multi-Asset Income Funds and £20m into the US Dollar account awaiting drawdown into the Morgan Stanley International Property Fund.
[y] Assets transferred in-specie from Baillie Gifford (£444m) in May 2023 to Baillie Gifford LCIV Global Alpha Growth Fund.


PENSION FUND - QUARTERLY VALUES SINCE 2002
FUND VALUE (£m)
1,600.0
1,400.0
1,200.0
1,000.0
800.0
600.0
400.0
200.0
0.0
01/04/02
01/10/02
01/04/03
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01/04/19
01/10/19
01/04/20
01/10/20
01/04/21
01/10/21
01/04/22
01/10/22
01/04/23
Total Fund
Cash invested inc. Notional Return
Investment Returns

APPENDIX 2

PENSION FUND MANAGER PERFORMANCE TO JUNE 2023

Portfolio	Month %	3 Months %	YTD %	1 Year %	3 Years %	5 Years %	Since Inception %
Baillie Gifford Global Equity	(0.21)	3.06	3.06	12.74	4.32	8.03	8.68
Benchmark	3.19	3.43	3.43	11.89	10.45	9.46	8.11
Excess Return	(3.40)	(0.37)	(0.37)	0.86	(6.13)	(1.43)	0.57
Baillie Gifford LCIV GAG	4.42						
Benchmark	3.19						
Excess Return	1.23						
Fidelity Fixed Income	(0.72)	(4.14)	(4.14)	(10.15)	(8.69)	(2.41)	4.77
Benchmark	(0.79)	(4.71)	(4.71)	(11.23)	(9.24)	(2.92)	4.01
Excess Return	0.07	0.57	0.57	1.08	0.55	0.51	0.76
Fidelity MAI	(0.64)	(1.84)	(1.84)	(5.15)	(2.35)	(0.61)	(0.58)
Benchmark	0.33	0.99	0.99	4.00	4.00	4.00	4.00
Excess Return	(0.97)	(2.83)	(2.83)	(9.15)	(6.35)	(4.61)	(4.58)
Fidelity Property	(0.62)	(1.85)	(1.85)	(19.60)	3.14	1.48	1.75
Benchmark	1.39	1.65	1.65	(16.35)	3.82	2.42	2.76
Excess Return	(2.01)	(3.50)	(3.50)	(3.25)	(0.68)	(0.94)	(1.01)
	(0.62)	(1.85)	(1.85)	(19.60)	3.14	1.48	1.75
MFS Global Equity	3.57	2.63	2.63	12.76	12.14	10.52	12.09
Benchmark	3.15	3.26	3.26	11.31	9.94	8.92	10.74
Excess Return	0.42	(0.63)	(0.63)	1.45	2.20	1.60	1.35
Schroder MAI	0.88	(0.50)	(0.50)	1.25	1.09	0.20	0.01
Benchmark	0.41	1.23	1.23	5.00	5.00	5.00	5.00
Excess Return	0.47	(1.72)	(1.72)	(3.75)	(3.91)	(4.80)	(4.99)
Lon Borough Bromley USD	(2.27)	(1.13)	(1.13)	(7.45)			1.55
Total Fund	2.35	1.22	1.22	5.06	3.77	5.65	8.51
Benchmark	1.80	1.45	1.45	4.95	5.68	6.16	
Excess Return	0.55	(0.23)	(0.23)	0.10	(1.92)	(0.51)	

N.B. returns may differ to fund manager reports due to different valuation/return calculation methods

EARLY RETIREMENTS

A summary of early retirements and early release of pension on redundancy by employees in Bromley's Pension Fund in the current year and in previous years is shown in the table below. With regard to retirements on ill-health grounds, this allows a comparison to be made between their actual cost and the cost assumed by the actuary in the triennial valuation. If the actual cost of ill-health retirements significantly exceeds the assumed cost, the actuary will be required to consider whether the employer's contribution rate should be reviewed in advance of the next full valuation. In the last valuation of the Fund (as at 31st March 2019) the actuary assumed a figure of 0.9% of pay (approx. £1.4m p.a from 2020/21) compared to £1.2m in the 2016 valuation, £1m in the 2013 valuation and £82k p.a. in the 2010 valuation. In 2015/16 there were nine ill-health retirements with a long-term cost of £1,126k, in 2016/17 there were six with a long-term cost of £235k, in 2017/18 there were five with a long-term cost of £537k, in 2018/19 there were five with a long-term cost of £698k,in 2019/20 there were three with a long-term cost of £173k, and in 2020/21 there were six with a long-term cost of £520k. Provision has been made in the Council's budget for these costs and contributions have been and will be made to reimburse the Pension Fund as result of which the level of costs will have no impact on the employer contribution rate.

The actuary does not make any allowance for other (non-ill-health) early retirements or early release of pension, however, because it is the Council's policy to fund these in full by additional voluntary contributions. In 2018/19 there were eight with a long-term cost of £392k, in 2019/20 there were 14 with a long-term cost of £433k and in 2020/21 there were 14 with a long-term cost of £203k. Provision has been made in the Council's budget for severance costs arising from LBB staff redundancies and contributions have been and will be made to the Pension Fund to offset these costs. The costs of non-LBB early retirements are recovered from the relevant employers.

Long-term cost of early retirements	**Ill-Health**		**Other**	
	No	£000	No	£000
Apr 23 - June 23 - LBB	0	0	0	0
- Other	0	0	0	0
- Total	0	0	0	0
2023/24 total - LBB	0	0	0	0
- Other	0	0	0	0
- Total	0	0	0	0
Actuary's assumption - 2019 to 2022		1,400 p.a.		N/a
- 2016 to 2019		1,200 p.a.		N/a
- 2013 to 2016		1,000 p.a.		N/a
- 2010 to 2013		82 p.a.		N/a
Previous years – 2022/23	3	316	1	25
– 2021/22	1	618	0	0
- 2020/21	10	549	23	270
– 2019/20	3	173	14	433
– 2018/19	5	698	8	392
– 2017/18	5	537	10	245
– 2016/17	6	235	22	574
– 2015/16	9	1,126	14	734
– 2014/15	7	452	19	272
– 2013/14	6	330	26	548

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Outturn 2022/23 £'000	Provisional as at 30 Jun 2023 £'000	Estimate 2023/24 £'000
INCOME			
Employee Contributions	8,165	8,167	8,170
Employer Contributions			
- Normal	26,264	26,280	26,270
- Past-deficit	478	478	478
Transfer Values Receivable	7,891	5,213	5,213
Investment Income			
- Re-invested	11,195	11,130	11,130
- Distributed to Fund	15,409	13,620	13,620
Total Income	69,402	64,888	64,881
EXPENDITURE			
Pensions	29,447	29,900	29,900
Lump Sums	4,831	4,395	4,395
Transfer Values Paid	3,953	2,700	2,700
Administration			
- Manager fees	5,002	5,000	5,000
- Other (incl. pooling costs)	1,606	1,600	1,600
Refund of Contributions	142	250	250
Total Expenditure	44,981	43,845	43,845
Surplus/Deficit (-) - including re-invested income (RI)	24,421	21,043	21,036
Surplus/Deficit (-) - excluding RI[1]	13,226	9,913	9,906

MEMBERSHIP	**31/03/2023**	**30/06/2023**
Employees	6,509	6,462
Pensioners	6,019	6,035
Deferred Pensioners	6,443	6,524
	18,971	19,021

Note 1 It should be noted that the draft outturn net surplus of £24.4m in 2022/23 includes investment income of £11m which was re-invested in the funds so, in cashflow terms, there is a £13.4m cash surplus for the year.

London Borough of Bromley

Quarterly Investment Report

Q1 2023

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Key Indicators at a Glance

	Index (Local Currency)	Q2 2023	Q2	YTD
Equities			**Total Return**	
UK Large-Cap Equities	FTSE 100	7,532	-0.4%	1.7%
UK All-Cap Equities	FTSE All-Share	4,096	-0.6%	1.1%
US Equities	S&P 500	4,450	8.7%	17.3%
European Equities	EURO STOXX 50 Price EUR	4,399	4.2%	17.2%
Japanese Equities	Nikkei 225	33,189	18.5%	30.5%
EM Equities	MSCI Emerging Markets	989	1.0%	5.0%
Global Equities	MSCI World	2,967	7.0%	15.2%
Government Bonds				
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	2,913	-5.4%	-3.5%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	3,481	-8.3%	-5.8%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	3,897	-6.6%	-2.6%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	4,298	-10.2%	-5.8%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	214	0.0%	2.5%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2,223	-1.4%	1.6%
EM Gov Bonds (Local)	J.P. Morgan Government Bond Index Emerging Markets Core Index	133	2.7%	7.6%
EM Gov Bonds (Hard/USD)	J.P. Morgan Emerging Markets Global Diversified Index	836	2.2%	4.1%
Bond Indices				
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	327	-3.1%	-0.8%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	218	0.2%	2.2%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	408	1.8%	4.8%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	3,063	-0.3%	3.2%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	2,304	1.7%	5.4%
Commodities				
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	75	-6.1%	-12.8%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	2.8	26.3%	-37.5%
Gold	Generic 1st Gold, USD/toz	1,929	-2.0%	5.7%
Copper	Generic 1st Copper, USD/lb	374	-8.6%	-1.8%
Currencies				
GBP/EUR	GBPEUR Exchange Rate	1.1637	2.3%	3.0%
GBP/USD	GBPUSD Exchange Rate	1.2703	3.0%	5.1%
EUR/USD	EURUSD Exchange Rate	1.0909	0.6%	1.9%
USD/JPY	USDJPY Exchange Rate	144.3100	8.6%	10.1%
Dollar Index	Dollar Index Spot	102.9120	0.4%	-0.6%
USD/CNY	USDCNY Exchange Rate	7.25	5.5%	5.1%
Alternatives				
Infrastructure	S&P Global Infrastructure Index	2,697	-0.1%	3.5%
Private Equity	S&P Listed Private Equity Index	175	7.7%	13.5%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	17,684	-0.8%	0.9%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	3,433	-2.4%	-4.4%
Volatility			**Change in Volatility**	
VIX	Chicago Board Options Exchange SPX Volatility Index	14	-27.3%	-37.3%

Source: Bloomberg. All return figures quoted are total return, calculated with gross dividends/income reinvested and in local currency.

Performance

The Fund rose by 1.2% over the second quarter, 0.2% behind the benchmark. Global equities rose just over 3% in Sterling terms whilst UK Corporate Investment Grade Bonds fell just over 3% over the quarter. Both equity managers marginally underperformed in the quarter and the Multi-Asset Income funds failed to keep up with their 'cash +' benchmarks in a flat market, particularly with cash rates higher now. Offsetting this, the Fund remains overweight Equities against its Strategic Benchmark which aided the relative performance. The Fund has returned 5.65% per annum over the last 5 years but remains 0.5% per annum behind the benchmark mainly driven by the poor performance of the Baillie Gifford Global Equity portfolio over that period. Over the long-term the Fund has returned 8.5% per annum over the last 26 years, usefully above the actuarially assumed investment return and it is this that has driven the improved funding level over time. Much of this long-term performance has been driven by the Fund's high equity exposure with additional value added through the choice of managers.

Asset Allocation Recommendation

In the comment below I set out my own expectations for the direction of monetary policy and the global economy over the next few years. As a result of these views, my recommendation is that the Pension Committee consider transitioning 5% of the Fund from the Baillie Gifford Global Equity Fund currently managed through the LCIV to Fidelity to invest into their short-dated UK Corporate Bond fund. This Portfolio invests into short-dated UK Investment Grade bonds with some discretion to invest overseas, hedged into Sterling and invest off benchmark. It is slightly different from the existing two Fidelity bond funds the Fund currently holds, being shorter duration and, therefore, at the current time, higher yielding. The rationale for this is the high yield available in short-term UK bonds and some concern that equity markets and long duration bonds have yet to fully reflect an economic environment where interest rates remain higher for much longer than the current market consensus, particularly in the UK.

Why short duration? – because I am concerned that longer term bonds have yet to price in a higher for longer inflation and interest rate environment combined with the high level of Government debt.

Why not more that 5% of the Fund? – Because the Fund is an Open, Defined Benefit Pension Fund with a strong sponsor and therefore can invest over the ultra-long term which means global equities should continue to be the mainstay of the Funds investment strategy.

Why Fidelity? - Because they have managed the Fund's fixed Interest portfolios for over 25 years and have added 0.7% per annum over the benchmark over that time through periods of benign and stressed economic and market environment which leads me to believe that they are a strong asset manager who understands their investment process within this asset class and has the resources to enact that process. To select a different manager may require a procurement exercise which is costly and time consuming.

Thought should be given as to whether the Fund should alter the Strategic Asset Allocation benchmark to reflect this change in allocation. Given the Fund is currently overweight in Equities and underweight in Bonds it is not imperative to do this but, given that I expect bonds to remain relatively attractive for the medium-term it may make sense to alter the Strategic Allocation. If so, my recommendation would be to move 3% of the Strategic benchmark from Global Equities to Bonds to give the weightings shown in the table below. If only the investment switch is made and the benchmark not changed then the table below shows the position of the Fund on the left, against a white background, if both the investment and benchmark changes are accepted then the position of the Fund against the new benchmark is shown on the right of the table below against a grey background.

Table 1: Asset class weightings resulting from the recommendations above

Asset class	Fund as at 30/6/23	Current benchmark	Position against benchmark	New benchmark	Fund post switch	Position against new benchmark
Equities	58.5%	58%	+0.5%	55%	58.5%	+3.5%
Fixed Interest	15.6%	13%	+2.6%	16%	15.6%	-0.4%
Property	5.0%	4%	+1.0%	4%	5.0%	+1.0%
Multi-Asset Income	18.2%	20%	-1.8%	20%	18.2%	-1.8%
Int'l Property +US$	2.7%	5%	-2.3%	5%	2.7%	-2.3%

If the Fund makes the investment switch and moves the benchmark then the Fund remains overweight in Global Equities awaiting for that money to be drawn down into the International Property Fund. If the Fund makes the investment switch and does not move the benchmark then the money awaiting drawdown into the International Property Fund is, in essence, held in Bonds. It would make more sense, at the current time, to take the latter cause of action as there is now a lower probability of capital loss through holding short duration bonds making them a better place to hold capital awaiting drawdown.

At some stage in the future, when the inflation outlook is clearer, it may make sense to lengthen the maturity of the Fund's Bond portfolio to take advantage of any decline in yields but I expect that to be 2-5 years away. In the intervening period it would be sensible for the Fund to review the fixed interest portfolios managed by Fidelity and consider moving to a segregated portfolio to replace what would become three separate Fidelity bond mandates each with a slightly different benchmark. I have discussed this with Fidelity and believe such a move would give greater flexibility to manage the fixed interest exposure of the Fund with no increase in cost. However, thought needs to be given to what benchmark should be considered for such a mandate. Fixed interest investments are held for diversification purposes as they tend to rise in value when investors seek security during times of market stress when equities may be falling, but that diversification benefit is usually best at the longer duration end of the bond market. They are also held for yield which, at present, is most attractive at the short end of the duration curve.

The Fund's current fixed interest exposure is low compared to the LGPS sector and stands at 10.5% against 13% in the Strategic Asset Allocation.

The Fidelity short dated Corporate Bond Fund currently has a yield to maturity 6.8% with a duration of 2.5 years.

The table below compares the Fidelity Short Dated Bond fund with the Fund's existing Fidelity bond portfolios. Note the lower duration, this means that the bond prices are less exposed to interest rate rises.

Table 2: Comparison of Fidelity Sterling Bond Funds

Asset class	Current yield to maturity	Duration	Allocation to Govt bonds	Allocation to IG bonds + cash
Short Dated Corporate Bond Fund	6.8%	2.8 years	7.0%	96.8%
UK Aggregate Bond Fund	6.2%	7.9 years	43.2%	97.1%
Sterling Corporate Bond Fund	6.0%	6.0 years	9.4%	96.0%

These yields are above the investment return assumed by the actuary and so the Fund can lock in these returns at low risk whilst still boosting their funding level.

Recommendation 1 – To switch 5% or £65m from the Baillie Gifford Global Equity portfolio currently managed through the LCIV into a Short-Dated UK Corporate Bond fund managed by Fidelity.

Recommendation 2 - To consider altering the Strategic Benchmark to reflect this change.

Recommendation 3 – To discuss with Fidelity the costs and benefits of moving the Fund's fixed interest investments to a single segregated portfolio.

This switch would incur transition costs but the ongoing management fee would be lower.

Possible alternatives to this move, which would take advantage of higher bond yields, would be to invest the money into the PIMCO portfolio offered by the LCIV although this does not specifically target short duration bonds so the yield would be lower and potentially more volatile. The rationale for taking this route could be coming pressure from the Government over pooling. However, I would rather see the result of the current consultation on pooling and confirm the Government's ability to enact legislation before allowing this issue to trump investment rationale. Given the competitive fees offered by Fidelity I do not see much in the way of fee saving from this route.

A second approach would be to invest into direct lending, which is lending to small to medium companies at floating rates and so taking advantage of higher short-term interest rates. The positive here is that current rates and fee income are high in this space with a number of direct lending funds showing returns of 11%-12% at the current time but the investment would be illiquid via a close-ended fund similar to the international property fund with potentially a four-year commitment window meaning that current high returns may have fallen by the time the money is invested. Additionally, I am concerned about recession risk and, as such, nervous about taking concentrated credit risk in smaller companies at the current time.

Comment

My comments in the last quarterly report were pretty gloomy about the global economic outlook and yet the data reported during the second quarter continued to convince many investors that we are heading for a soft landing in the US with the Federal Reserve (US Fed) raising interest rates to just the right level to slow inflation which would benignly fall back to the 2% range that existed before the Covid pandemic struck whilst economic growth will clip along at 2% per annum with high rates of employment and moderate wage inflation. So why do I remain concerned?

1) We have never seen central banks bring inflation down over a short period of time, to exactly their target level, through the raising of interest rates to slow demand and cool the economy. Interest rates are a very blunt tool which acts on the economy with a variable and indeterminable time lag. There are reasons to believe that, on this occasion, interest rates will affect the economy with a longer time delay than usual due to the savings built up during Covid for the majority of the population and a higher percentage of corporate debt and mortgages being fixed at low rates for a longer duration than in the past. However, as the market begins to understand that interest rates will stay higher for longer to combat stubborn inflation, even 3–5-year mortgages will eventually have to be renewed at much higher interest rates. Consumers, in particular, had a real propensity to spend post covid and became noticeably price insensitive in the immediate aftermath of the Covid induced economic lockdowns. It appears from credit card data that much of the Covid induced savings have now been spent.
2) Interest rates will stay higher for longer as wage expectations have risen. For employees who have accepted a 6% wage increase whilst inflation was 10%, they will expect to reclaim that loss of real purchasing power at a later stage. This expectation will only be lowered through the destruction of demand and therefore jobs with the increased unemployment undermining wage demands. We have yet to see this happening. US jobs' data shows the economy creating 185,000 new jobs in June and July, down from earlier this year but still above the !00,00 level which would

be consistent with 2% inflation. US wage growth is rising and now at 6% per annum, this again is not consistent with 2% inflation. The situation in the UK is similar with a shrunken workforce unable to fill current vacancies. Europe looks better on this metric with sufficient levels of unemployment to stop higher wage demands becoming entrenched but will still need to raise interest rates above current levels.

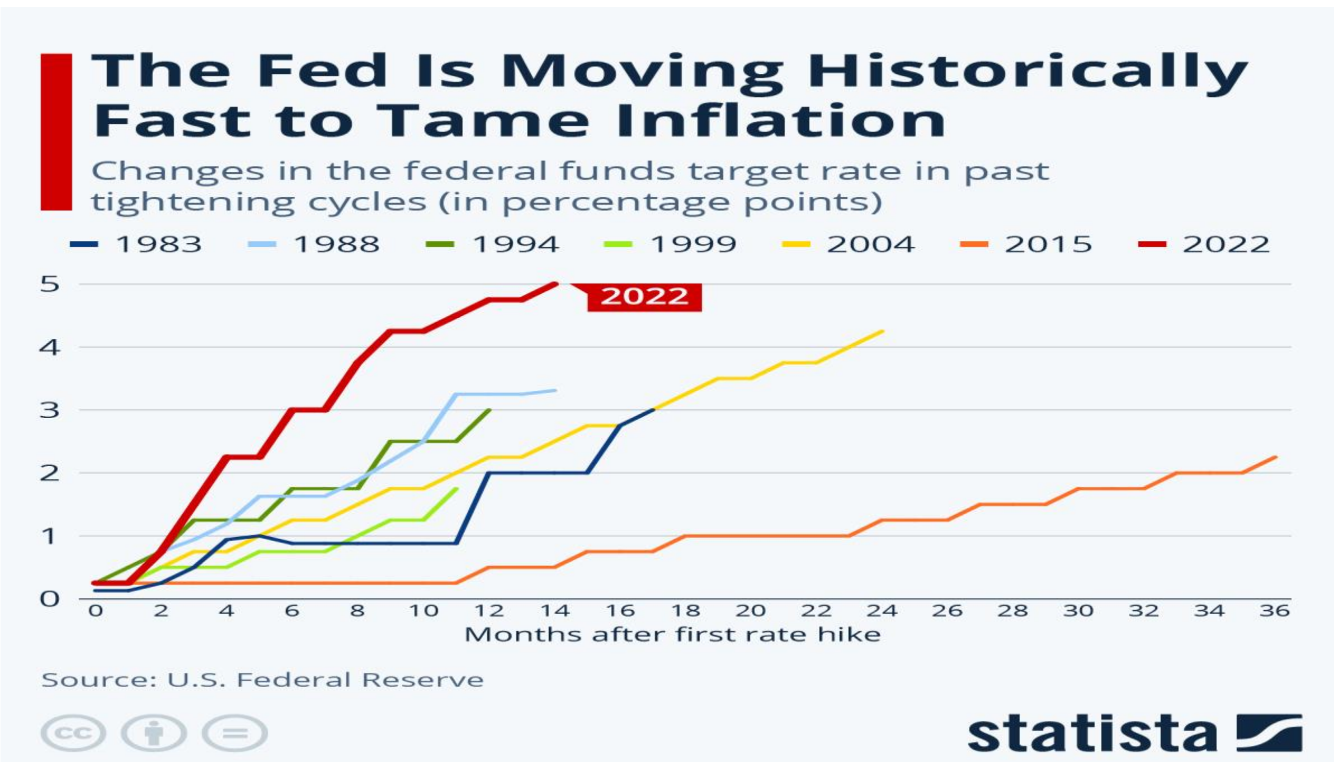
3) Inflation is a year on year measure, the massive rise in energy prices post the Russian invasion of Ukraine in spring 2022 has now fallen out of the inflation calculation and the effect of energy on the yearly inflation number has switched from being a major upward pressure to a negative, that reverts to a more neutral to positive push to inflation as we move through the second half of the year particularly as oil prices have been rising through the summer as we hit the peak US demand over the summer driving season. Headline inflation is falling as high inflation numbers of a year ago fall out of the equation. US inflation could get to 3% during the Autumn before picking up but this is not the same as stable 2% inflation.

4) Whilst the price of oil and gas has fallen back to pre-Covid levels, the situation in Ukraine and stressed relations with Russia still mean we could see further price volatility in the future. Whilst great efforts have been made to wean Europe off Russian gas there is still scope for further disruption.

Whilst I do expect headline inflation to dip through the summer, wage inflation shows that Central Bank targets of 2% inflation are out of reach at the current time. Because of this either interest rates will rise further to slow the economy or the rate rises to date will begin to have a greater impact on economic activity, either way I would still expect to see a recession across much of the developed world in 2024/5 and remain sceptical of a soft landing.

The current rise in interest rates is the fastest in recent history and has come after a period of prolonged ultra-low rates. We have never seen rates rise this quickly and not cause a recession. But what if the changes in corporate and consumer behaviour mean the effect of the interest rate rises are hitting spending with a much-delayed response? Is this giving corporates and consumers more time to react and get ready for higher interest rates or is it just delaying the inevitable?

Chart 1: US Fed interest rate tightening cycles



The chart above shows the extent and unprecedented speed with which the US fed has raised interest rates compared to past cycles.

Inflation

It is worth revisiting why inflation will be stickier in the future and why we are unlikely to return to the ultra-low interest rates of the past. There are a number of long-term trends which have held inflation down in the past but which are now changing as well as new inflationary factors to be considered.

1) Demographics – Global demographics are predictable as we know approximately how many people are alive and an estimation of their age and mortality. That the population is aging in most parts of the developed world is recognised, but, whereas over the past 40 years, an increasing percentage of the population in the developed world was of working age with more women entering the workforce due to a lower childcare burden, now the baby boomers are retiring and will need increased care in their old age removing more people from the workforce. This will not just lower the available workforce but also reduce the level of savings in the economy as baby boomers draw on their savings to fund their retirement and later life care. This will lead to less money being available for investment, lowering potential economic growth (as seen in Japan). The economic solution to this could be to accept greater immigration but that seems to be politically unacceptable at present in many countries but, without this, the bargaining power of the remaining workforce increases forcing up wages and thus inflation and interest rates. Chinas' own demographics are now also negative with a shrinking working age population.

2) Energy supply – The weaponization of energy supply is not new, the OPEC cartel was formed in the 1970's to force oil prices higher and redistribute economic wealth towards oil producers, mainly the middle east. President Putin has now followed the same playbook with Russian gas but, as the western world looks to switch away from carbon-based energy sources, it should be remembered that China produces over 50% of the world supply of car batteries and over 80% of solar panels as well as having a near monopoly on a number of metals vital to decarbonising the global economy. China's avowed intention to reunite Taiwan into the Chinese fold could again lead to the weaponization of critical energy supply chains even as the world moves to renewable energy.

3) Decarbonising the economy – The cost of moving towards a decarbonised economy will have to initially be borne by the consumer. Rethinking business methods may eventually lead to efficiency gains but the initial cost will need to be passed through the system.

4) Geopolitics – Politics are rarely important to investment markets with very few political leaders capable of having the vision and political longevity to really make a marked difference in how the world works. One notable exception would be Deng Xiaoping and his decision to shift China towards being an export-oriented, market-tolerating economy in the 1980s. This released a very sizable fresh workforce onto the world economy which drove down unskilled and semi-skilled wages and hence inflation for a 40-year period. It seems any geopolitical consensus is now fraying at the time when climate change demands just such a consensus.

5) Globalisation of trade – undoubtedly in the 40 years to 2010 global trade expanded as companies took advantage of the opening of China and other markets with their cheap labour force to bear down on the cost of manufacture, but rising geopolitical tensions mean that globalisation, while not in retreat, has stalled; in 2022, exports were slightly lower, as a proportion of global GDP, than they were in 2008. The move from 'just in time', low-cost production, to 'just in case' production with multiple supply chains located in, hopefully, more stable areas of the world must mean a higher overall cost of production.

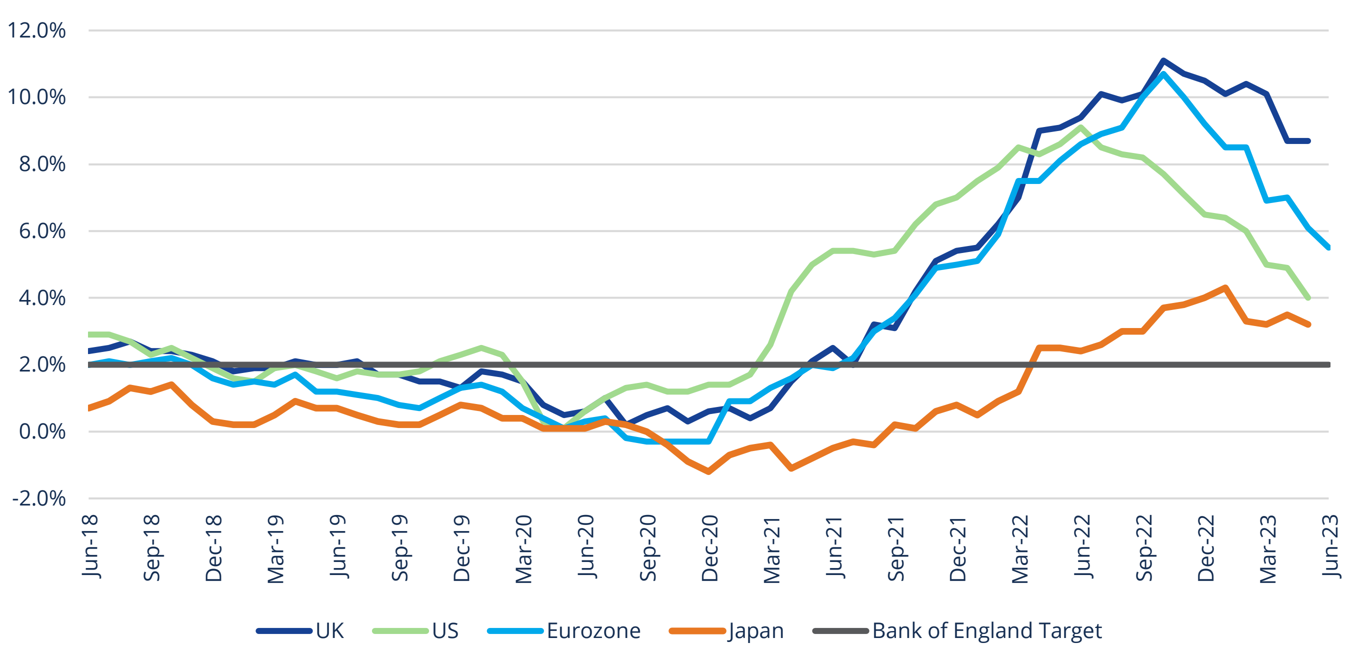
The five points above have all worked to reduce inflation for a prolonged period of time but their long-term dynamic looks to have changed. However, going forward, there is one factor which continues to bear down on inflation and that is the speed of technological change. Artificial Intelligence (AI) is being touted as having similar potential to the introduction of the Internet to alter the way we live and how the corporate world works. I see this as having a simpler economic impact. For all my working career, technology has advanced, altering the way I work, removing one competitive edge and opening up opportunities to create others. I see AI as a continuation of this trend. It pushes the substitution of labour by computing power up the value chain from skilled and semi-skilled work to highly skilled and professional work and will have the ability to drive the price for certain jobs lower whilst creating new roles in the monitoring and managing of AI itself as well as challenging its assumptions and results.

The above economic outline leaves scope for short-term interest rates to be nearing a peak in the US and UK and soon Europe whilst long-term bond yields may still exhibit some volatility as markets come to realise that inflation is not beaten yet; that interest rates will stay higher for longer; that high government debt levels will lead to higher interest charges with greater government bond issuance and that Quantitative Tightening removes a major buyer from the bond markets as central banks let their existing holdings of bonds bought during Quantitative Easing mature and fall off their balance sheet.

US inflation should bottom above 3%, quite possibly rising into the year end back towards 4% due to tougher year-on-year comparisons and continued high wage growth. This will not be an environment where US interest rates can be cut. The only alternative to this is a more obvious slowdown in the US economy and increased unemployment but any negative data will initially be used by the US Fed to pause interest rate increase rather than cut them. A reacceleration of the US economy seems unlikely from here. Whilst the time scale for the effect of higher interest rates may have lengthened, rates have still risen and, as such, eventually corporates and consumers will be paying higher debt servicing costs, the effect of which is to redirect free cash-flow generated by the business from growth towards interest payments.

Outside of the US, Europe does not have the same tight labour market and is, therefore, more able to bring inflation under control especially as economic growth is slow across much of the EU. The outlook here is for a mild recession but falling inflation. The UK remains the problem child, it has many of the same problems as the US with a tight labour market and inflation now built into many employees' wage expectations. The Bank of England (BoE) may still need to raise interest rates further into a sluggish economy and any indecision or tailing off in the inflation fight will undermine investor confidence in the UK and be felt through weaker Sterling and rising long-term bond yields which again emphasises my preference for the shorter duration bonds particularly in the UK.

Chart 2: CPI – Annual Rate of Inflation - Five Years to June 2023



All central banks in the western world would like to drop their 2% inflation targets but feel unable to do this until there are, at least short-term, signs that inflation will hit the 2% level. They will have to row back on their 2% target from a position of strength and credibility or lose the confidence of investors in their anti-inflationary stance.

China

China has not seen the same economic rebound from ending the Covid era economic lockdowns as the developed world. There seem to be two main reasons for this. Firstly, the Chinese property market has over expanded and become over indebted. This needs to be worked through but more importantly, if the government lowers interest rates it will just reignite the property sector and exacerbate the existing issues. Secondly, the consumer seems to have been scarred by their experience through Covid and is responding to what they see as the unpredictability of central government in the imposition of severe economic lockdowns over a multi-year period by increasing their propensity to save and storing more money away, this has negated the post lockdown consumption boom which we have seen in most other countries and is an interesting side effect of a totalitarian regime which can have an immediate and high impact on a populations' daily lives. This should be a transitory impact and consumption should pick up in time.

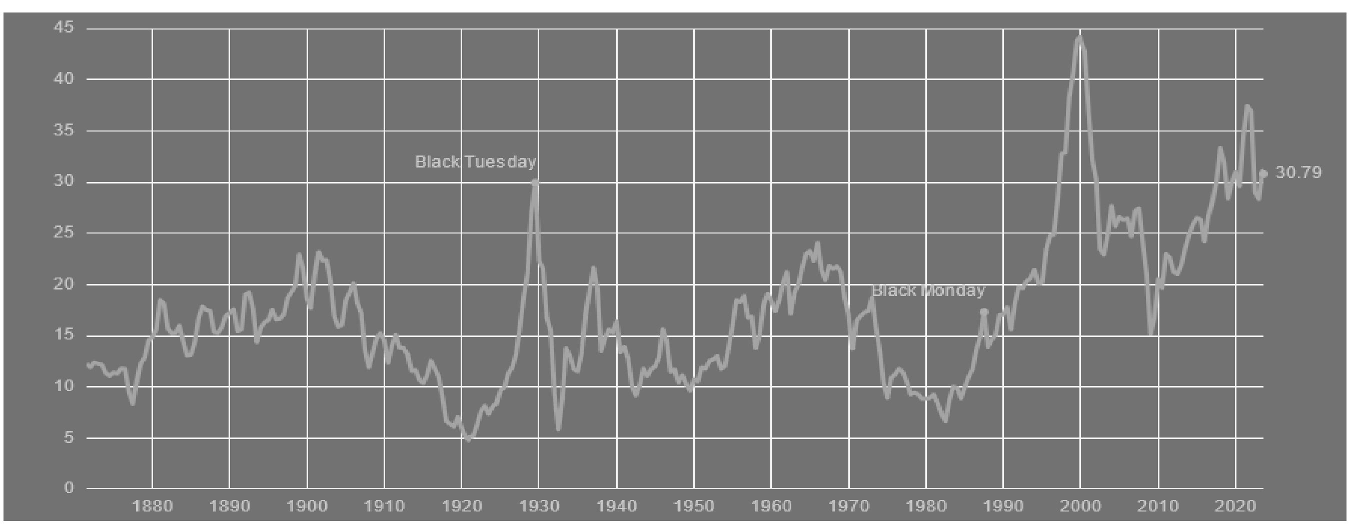
Markets

Given the above my expectation is for interest rates to stay high for the remainder of 2024 with any attempts to cut rates needing to be reversed quite quickly as inflationary pressures remain nearer the surface than in the recent past. This makes current yields quite attractive, particularly the shorter duration end of the yield curve as short rates are higher than long rates at present. A negative yield curve, where short duration yields are higher than longer duration yields, is traditionally seen as a sign of an impending recession. If interest rates stay higher for longer, short-term bond yields will remain high whilst longer duration bond yields may have to rise further leading to some price weakness in 5–20-year bonds.

In this higher rate environment, I would not expect equities to perform that well, on the one hand they are a partial inflation hedge but when the risks are of a slowing economy and stubborn inflation, the ability to pass costs on to consumers may become constrained. Earnings expectations have fallen back for this year but remain unaltered for 2024 and have, therefore, yet to recognise any impending economic slowdown.

The chart below shows the Shiller or CAPE price/earnings (P/E) ratio for the S&P 500 using average 10-year earnings and can be used as an indicator of long-term value for equity markets. It makes sense for equity markets to trade more expensively when interest rates, and thereby the cost of capital, is low but the recent rise in bond yields should lower valuations in the medium term. This suggests that equities are not particularly cheap at the present time.

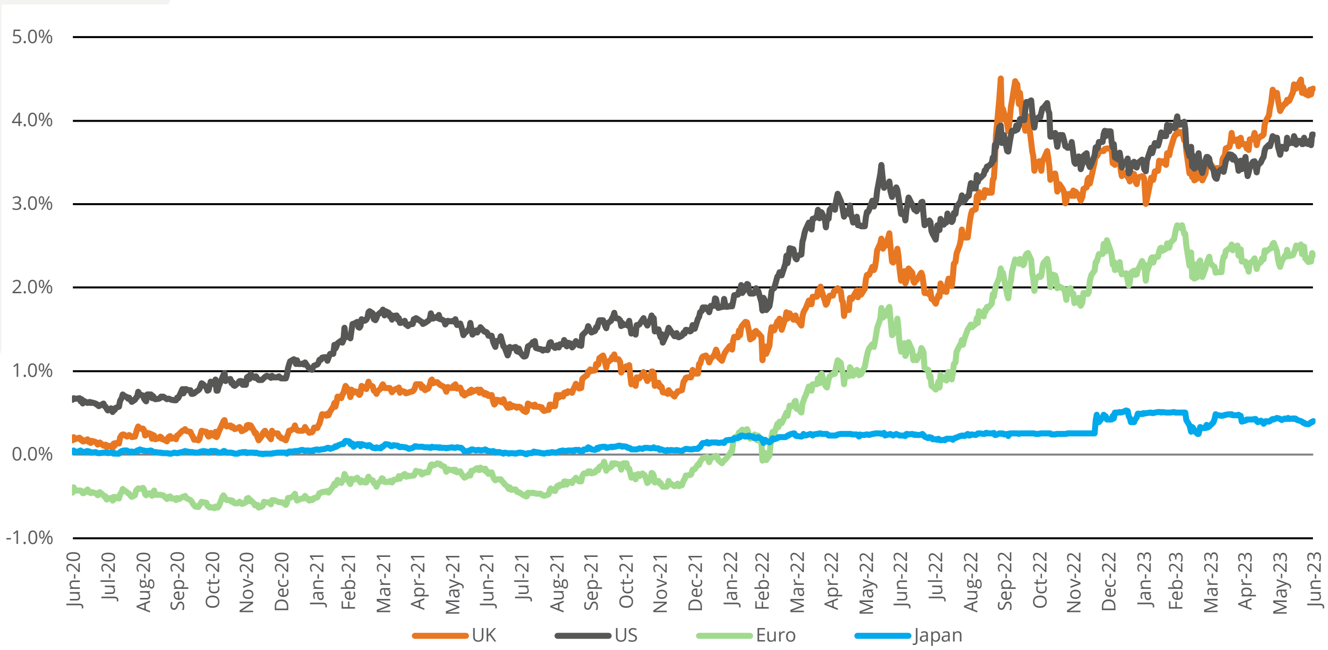
Chart 3: Shiller P/E



Asset Allocation

At The Strategic Asset Allocation review, conducted by MJHudson in 2022, little change was suggested to the current asset mix of the Fund. At the time bond yields were rising (prices falling) and looked unattractive and lower equity markets suggested they could generate higher returns in the near future. What has now changed is that there is more confidence that inflation has at least peaked and that higher interest rates will reduce inflation over time, interest rates in the US and UK are nearing their peak making short duration bonds more attractive to investors, whilst equities have risen over the last year making them more expensive.

Chart 4: Government 10-year Bond Yields



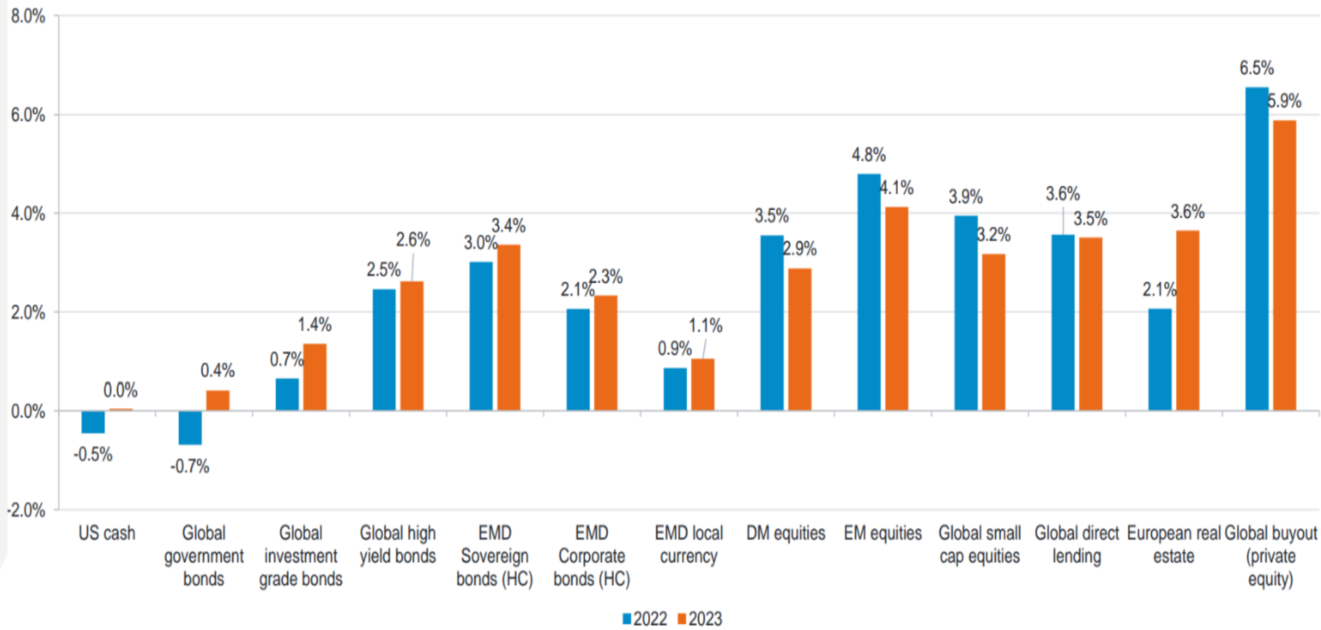
In that Strategy review MJHudson used forward looking risk and return assumptions for all the major asset classes, these assumptions showed Equities as one of the most attractive asset classes on a 10-year view with a return assumption of 6.7% per annum. Since then, equities are up 15% year to date whilst bonds yields have continued to rise (prices fall) and are now, in the UK, surpassing the yield levels reached in autumn last year when the Truss/Kwarteng budget brought the UK Gilt market into a panic.

Given the move in markets so far this year, I would set the assumed return on UK cash equal to current interest rates of 5.25% (previously 2.2% reflecting interest rates at the time). Consensus is for UK interest rates to reach 5.5-5.75% during the Autumn although I suspect the peak may need to be over 6%. UK Gilt return expectations should reflect the current 10-year Gilt yield so 4.5% with UK Investment Grade and Global Bond returns also looking slightly higher at 6.0% (UK Gilt return plus credit risk premium).

Against this I would argue All Country World Equity returns lower to around 6.0% per annum for the next 10 years. I would also argue for a lower assumed return on Private Equity as I do not believe higher interest rates have been realistically fed through into valuations at present, yet deal flow and sales or flotations have fallen markedly, giving limited pricing points to check valuations against. (It will not just be a few UK water companies which bear the scars of the private equity industries desire to boost short-term returns by increasing the level of indebtedness within businesses.).

Direct lending is an area where returns are currently very attractive with yields currently over 10% with fee income on top. Given this high current return, 10-year returns could easily reach 7.5% or more. This remains an attractive area but is illiquid and takes time to invest into meaning that it would need to be seen as a long-term allocation rather than a move to take advantage of higher current bond yields

Chart 5: Forecast Real returns by asset class, comparing 2023 with 2022 forecasts



Source Fidelity

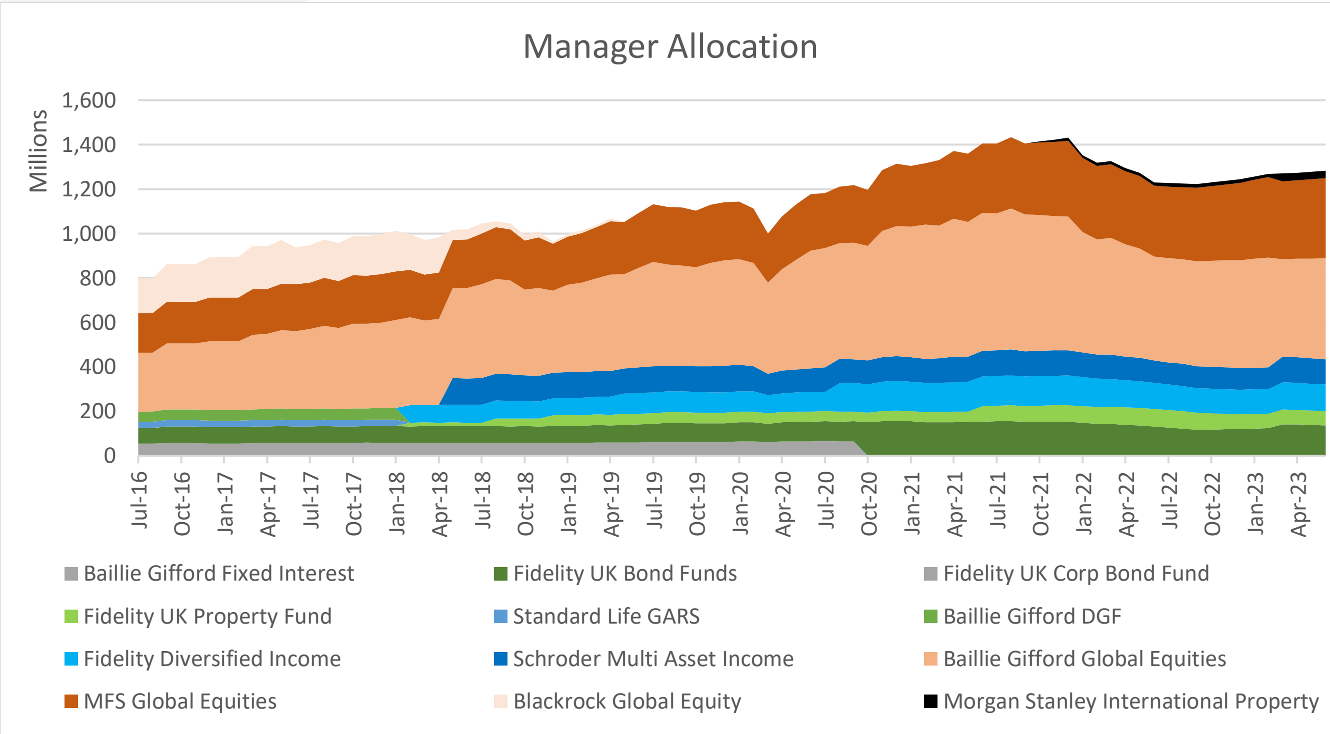
The chart above shows the forecast asset class real (post assumed 10-year inflation) returns for 2023 compared with those forecast a year ago. These are from Fidelity International. The exact numbers are less important than the change between 2022 and 2023. In particular, note the rise in forecast return for bonds as interest rates and yields have risen and the fall in expected returns from equity markets.

Table 3: The Funds current asset allocation against the Strategic Benchmark

Asset class	Asset Allocation as at 31/12/2022	New benchmark going forward	Position against the benchmark	Asset Allocation as at 31/3/2023	Position against the benchmark
Equities	67.0%	58%	+9.0%	63.5%	+5.5%
Fixed Interest	9.7%	13%	-3.3%	10.6%	-2.4%
Property	5.3%	5%	+0.3%	5.0%	+0.0%
Multi-Asset Income	16.7%	20%	-3.3%	18.2%	-1.8%
Int'l Property +US$	1.3%	5%	-3.7%	2.7%	-2.3%

The change in the asset weightings since 31/12/22 reflects market moves plus sale of 5% of the Fund from equities to other asset classes completed earlier this year.

The chart below shows the Fund's assets by manager/mandate.



Executive Summary

- Macroeconomic data was generally resilient globally in the quarter, with headline inflation falling in the US and Europe, and remaining steady in Japan. Labour markets remained surprisingly robust and GDP growth remains below trend, but generally positive. Chinese and European manufacturing data has softened in recent months leading to some concern over the anticipated post-COVID rebound for China. The UK was an exception to the disinflation trend, with inflation at an uncomfortably high 8.7% in May. Despite falling inflation, the US Fed and ECB continued to hike rates and maintain a hawkish posture because of tight labour markets and stubborn core inflation data. The Q1 banking crisis appears to have been contained, but there are signs of consumer credit card defaults starting to tick up, and it is likely that the effects of the interest rate increases will take time to filter into real economies.
- Q2 was another strong quarter for equities, with global equities (MSCI World) rising around +7% in local currency (+4% in GBP terms). Equity markets were led by growth-oriented stocks (+10.1% for growth, +2.2% for value) as investors jumped on board the new innovation of Artificial Intelligence (AI). Japanese equities performed particularly strongly (+18.5% in local currency, and up +5.9% in GBP terms), as the Bank of Japan has maintained a more accommodative policy than its peers. The Tokyo Stock Exchange has also urged listed companies to become more focused on value creation, such as using cash stockpiles to remedy the low book values to market capitalisations. The combination of the very weak JPY and potential corporate governance improvement has attracted investors to the region. US equities returned just under +5%, though gains have been very concentrated in a few large tech stocks, leaving the rest of the index flat. UK equities, on the other hand, have lagged peers (slightly down in Q2) after a relatively strong 2022 and markets view more risk of recession and negative impacts to employment than for some other developed markets. Bonds, too, faced headwinds as interest rates continued to rise with central banks not yet ready to signal a shift in direction in the fight to reduce inflation. Global

investment grade credit was flat over the quarter, but UK long index-linked gilts fell around -10% as yields jumped higher in light of stubborn inflation and investors now expect UK rates to peak above 6%. Energy prices softened further (oil down -6%), while GBP has continued to strengthen against both JPY and USD, retracing a fair amount of its weakness during 2022.

It is worth highlighting the following themes impacting investment markets:

- **Credit spreads indicate a sanguine sentiment to risk.** Credit spreads have tightened since the March banking crisis with US investment grade credit spreads ending Q2 at 120bps, having reached a year to date high of 165bps in March. US high yield bonds spreads have similarly tightened, from a high of 516bps, to 392bps at quarter end, despite incipient signs of rising delinquencies. In the first half of 2023, for example, US Chapter 11 bankruptcies have risen sharply on the same period last year.
- **Inflation – heading towards target, but core inflation proving sticky.** The UK was again the outlier in the quarter with annual CPI only falling to 8.7% in the quarter, compared to 4.0% for the US and 5.5% for Eurozone. However, core inflation (excluding energy and food prices) has been telling a different story. UK core inflation has worryingly risen to a new high at 7.1% in Q2, while US core inflation is now above headline inflation at 5.3% and has only slowly decreased from 6.0% 12 months prior. Similarly, Eurozone core inflation rose in June to 5.4% and is well above the 3.8% figure of 12 months ago. This all suggests the high inflation / high rates environment may last for rather longer than currently discounted.
- **A narrow range of stocks is driving global equities performance.** In May, Nvidia announced a vastly improved earnings forecast (50% above Wall Street consensus for Q2) driven by the demand for high specification chips used by entities pursuing AI efforts. This prompted a 52% rise in the share price over Q2, and has been emblematic of the recent attention investors are paying to companies with any form of potential for AI products. Indeed, Nvidia, Tesla and Meta have risen by 196%, 142%, and 130% respectively over the year to date. This characteristic, of performance being concentrated in a narrow number of stocks can be symptomatic of the late phases of equity bull markets.
- **Equity valuations rise despite earnings risk.** Equities rose for another quarter, despite analysts' forecasting S&P 500 Q2 earnings declining 7.2% on the year prior. This has led the forward earnings ratio for the S&P 500 to rise to 18.9x, from 17.8x in Q1, and comfortably above its 10-year average of 17.4x. Profit margins for US equities have declined to c.12%, from 14% in 2021 but remain above longer term averages and equity markets appear to be looking past the potential effects of high interest rates and discounting a "soft landing" scenario. This would seem to leave the asset class exposed to disappointment.

- Global equities rose sharply in Q2, led by US and Japanese equities for varying reasons. The VIX declined over the quarter from 19 to 14, well down on its average level of 21 for the 5 calendar years 2017 to 2022.
    - In the US, the S&P 500 rose by +8.7% and the NASDAQ soared by +15.2%. Markets rallied as enthusiasm for AI boosted a number of some stocks and an upward adjustment to the Q1 annualised GDP figure (from 1.3% to 2.0%) provided support to the view that the US economy may avoid a recession or 'hard landing' despite the sharp rise in interest rates.
    - UK equities fell -0.4% and underperformed global equities. Inflation has remained too high in the UK for the BoE, resulting in the base rate being raised to 5.0%, from 4.25% at the end of Q1. The BoE had slowed the pace of rate rises from 50bps to 25bps, but moved back to a 50bps rise in Q2. UK CPI was 8.7% in May, well above the 6.1% figure for the Eurozone.
    - The Euro Stoxx 50 rose by 4.2% in Q2. Economic data was better than expected with inflation continuing to move downwards, although the ECB has maintained a hawkish rhetoric. The composite PMI has, however, been declining in Q2 and in June fell just into contractionary territory at 49.9.
    - Japanese equities continued their strong run, rising by +18.5% in Q2. A weakening JPY has boosted exporters, as the BoJ maintains very accommodative monetary policy with core inflation currently at 3.2%, as well as the mentioned prospective corporate governance reform. The JPY yen fell 8.6% vs the USD over the quarter.

- Emerging market equities rose +1.0%, underperforming global equities as Chinese stocks fell. Investors had previously pinned hope on a rebound in Chinese stimulus and growth which had propelled Chinese equities in late 2022 and early 2023; however, the country has not yet provided meaningful policy stimulus.

- Medium- and longer-term bond yields rose over the quarter, generally rising with rate hikes from central banks resulting in negative performance for government bonds. The US yield curve inversion as measured by the 10 year–2 year ended the quarter at -106bps, as short and mid-term rates rose more so than longer bond yields. In corporate bonds, high-yield credit outperformed as credit spreads tightened over the quarter. Emerging market bonds rose 2.7% in local currency and 2.2% in hard currency.
  - The US 10-year Treasury yield rose in Q2, ending at 3.81% from 3.48%. US rates rose steadily through the quarter, with US GDP being revised upwards for Q1 and job openings (JOLTS) at a strong 9.8 million, compared to 7.2 million in January 2020. The US Fed raised their policy rate by 0.25% just once in the quarter (to 5.0%-5.25%).
  - The UK 10-year Gilt yield rose sharply from 3.49% to 4.39% and 2-year from 3.44% to 5.27%. Over the quarter, the spread between UK and German 10-year bond yields widened, reflecting the increased stress viewed on the UK economy (UK approx. +200bps now vs +120bps in Q1, and close to the +228bps in September 2022 during the 'mini budget'). The BoE hiked rates by 25bps two times in the quarter.
  - European government bonds returned flat in Q2. Yield curves steepened further over Q2, as short end rates rose with rate hikes, with the main refinancing rate now at 4.0% (up from 3.5%), while longer term bond yields were little changed. The German 10-year Bund yield rose to 2.39% from 2.29%, while Italy's fell from 4.09% to 4.07%.
  - US high-yield bonds outperformed investment grade, returning +1.7% and -0.3% respectively. European high-yield bonds returned 1.8%, outperforming the 0.2% for European investment grade and -3.1% for UK investment grade.

- Energy prices were mixed over Q2, as gas prices rebounded somewhat although still sharply down from the pre-winter figures. Oil prices have traded down driven by concerns over global growth and oil demand.
  - US gas prices rose 26% in Q2. Prices have fallen dramatically from their 2021/ 2022 peaks.
  - Brent crude oil fell -6.1% over Q2, to US$75 per barrel. Falling prices since 2022 triggered various OPEC+ announcements of production cuts which have thus far only resulted in small reactions from the market. The US released oil from its Strategic Petroleum Reserve in 2021/ 2022 to meet demand and address high prices, but has yet to restock the inventory.
  - Gold and Copper fell -2.0% and -8.6% respectively over Q2. Gold fell as investors returned to risk assets and with high yields available on cash alternatives. Copper fell over the quarter from a high in April, with the growth outlook for China a headwind. Gold and Copper closed Q2 at 1,929 USD/toz and 374 USD/lb, respectively.

- Global listed property continued to decline, with the FTSE EPRA Nareit Global Index falling -2.4% in Q2.
  - The Nationwide House Price Index in the UK has continued its decline, with the price index down -0.3% for the quarter, and down -3.5% on an annual basis.

- European commercial property has also continued to decline in the face of higher interest rates, with the Green Street Commercial Property Price Index down by -2.3% this quarter and -15.9% over the past 12 months.

- In currencies, sterling strengthened against the US$ (+3.0%) and the Euro (+2.3%) over the quarter, as the ongoing high and uncertain inflation in the UK is viewed as requiring a lengthier period of tighter monetary policy. The US$ rose modestly in Q2 (Dollar index +0.4%).

Performance report

Asset Class/ Manager	Global Equities/ Baillie Gifford via the LCIV
Fund AuM	£455m Segregated Fund; 34.5% of the Fund
Benchmark/ Target	MSCI All Countries World Index +2-3% p.a over a rolling 5 years
Adviser opinion	Short-term performance has been poor, acceptable longer term.
Last meeting with manager	John Arthur/John Carnegie by phone

During the quarter this portfolio was transferred to the LCIV. It continues to be managed by Baillie Gifford and is an exact replica of the historic Global High Alpha fund. The cost of transitioning the portfolio across to the LCIV was very low as agreement was reached with the UK Government to avoid stamp duty and Baillie Gifford contributed towards the remaining costs. The Fund will now benefit from the slightly lower fees negotiated by the LCIV due to the economies of scale they are able to demand from pooling the assets of the 32 LCIV member funds.

The portfolio marginally underperformed during the quarter but is now showing positive performance over the last 12 months and the revaluation of growth style equities due to rising bond yields seems to be in the past. Whilst the manager has underperformed the benchmark over the last 5 years and therefore failed to achieve their performance target of index +2% over a 5-year time frame, their long-term performance remains positive and I continue to expect them to add value over a full economic and market cycle. Since inception in 1999 the manager has added 0.6% per annum over benchmark performance.

I remain confident that Baillie Gifford is a good asset manager with a strong investment philosophy and process and the resources to follow that process. They encourage challenge to their views and have a thirst for understanding which I find admirable. More particularly, I noted earlier that technological change was the one long-term factor which continued to be deflationary. The speed of the technological change does not seem to be slowing and we may be at the start of a new era of business disruption through advances in artificial intelligence. Given this, I see value in continuing to invest via a manager who spends a considerable amount of time, effort and money in looking to understand technological change and how it will affect the business environment. Baillie Gifford work closely with a number of leading educational institutions and individuals at the forefront of these development.

Asset Class/ Manager	Global Equities/MFS
Fund AuM	£359m Segregated Fund; 28.0% of the Fund
Benchmark/ Target	MSCI World Index (Developed Markets)
Adviser opinion	This portfolio should outperform in a more inflationary environment
Last meeting with manager	Elaine Alston/Paul Fairbrother/John Arthur 9/8/23

MFS underperformed by 0.6% over the quarter returning 2.6% but has outperformed their benchmark over 1, 3, 5 and 10 year periods as well as by 1.3% per annum since inception in 2013. The last 18 months have been a strong period for MFS as their whole investment philosophy is around investing in companies which have pricing power and are defensible businesses. In an inflationary environment the ability to push price rises through becomes vitally important and MFS have shown that their portfolio has that ability. The challenge going forward is that pricing pressure is still strong through wage growth but the ability to pass these costs on to the end consumer is waning. I expect many companies to see margin compression over the coming year and the managers' ability to continue to outperform over the next few years will be a testimony to the thoroughness of their research and understanding of the pricing and business dynamics of the companies they invest in.

It is possible that both the Fund's equity managers could outperform over the next few years as both seem to have an investment approach that fits well with current market dynamics.

Asset Class/Manager	**UK Aggregate Bond Fund and UK Corporate Bond Fund/ Fidelity**
Fund AuM	£136m pooled fund; 10.6% of the Fund
Performance target	25% Sterling Gilts; 25% Sterling Non-Gilts; 50% UK Corporate Bonds +0.75 p.a rolling 3 year
Adviser opinion	Manager continues to meet long-term performance targets
Last meeting with manager	Tom Jeffery; Jessica Miley/John Arthur 30/8/23

The Fund hold two similar Fidelity Fixed Interest portfolios. The UK Aggregate Bond Fund which has a benchmark that is 50% UK Gilts and 50% UK non-Gilts; the UK Corporate Bond Fund which has a benchmark consisting entirely of UK Investment Grade Corporates and, as such, contains slightly higher credit risk and achieves a slightly higher yield. The manager can invest outside of these benchmarks with a proportion of the portfolio including into overseas investment grade bonds hedged back to Sterling and higher yielding, non-investment grade bonds. These two portfolios are combined for reporting.

Portfolio	2Q23 performance	1 Year performance	Duration	Yield
UK Agg Bond	-4.2%	--8.7%	7.7 years	6.4%
UK Corp Bond	-2.9%	-8.1%	5.8 years	7.0%

During the quarter the portfolio returned -4.1% outperforming a falling benchmark by 0.5%. The combined portfolio has continued to outperform its benchmark through this period of market turmoil adding 1.1% against the benchmark over the last year and 0.5% against the benchmark over the last 3 & 5 years. Since inception in 1998, the manager has added 0.7% per annum and outperformed through a variety of market and economic conditions. I regard this as a strong investment performance. The manager continues to hold shorter duration bonds and less credit risk than the benchmark believing that the outlook for the UK remains unstable.

Looking back at past reports, at the end of Q2 2021, two years ago, the yield on this portfolio was 1.5%. The dramatic rise in interest rates and thereby bond yields has radically altered the outlook for this asset class but whilst the yield now looks attractive, especially against the actuarial assumed investment return of 4.5%, both I and the manager have concerns that bond yields in the UK could rise further (prices fall) as the market recognises the weak financial position of the UK Government which will be compounded by much higher interest costs going forward. An outlook of poor growth in the UK with stubborn inflation and quantitative tightening by the BoE means that returns from this asset class may remain low and subject to volatility despite the attractive yield. Any perceived weakness by the BoE in its anti-inflation fight could see investors lose confidence and both Sterling and longer duration bonds weaken. I have a preference for shorted dated bonds at the current time.

Asset Class/Manager	Mult-Asset Income / Fidelity
Fund AuM	£121m Pooled Fund; 9.4% of the Fund
Performance target	LIBOR +4% including a yield of 4% per annum
Adviser opinion	
Last meeting with manager	Meeting Eugene Philalithis; Tom Jeffrey; Jessica Miley/John Arthur 8/8/23

Asset Class/Manager	Multi-Asset Income / Schroders
Fund AuM	£113m Pooled Fund; 8.8% of the Fund
Performance target	LIBOR +5% including a yield of 4% per annum
Adviser opinion	
Last meeting with manager	By phone during the quarter: John Arthur/ Russel Smith/Remi Olu-Pitan

These portfolios are designed to provide yield which is paid back to the Fund each quarter. By guaranteeing that the Fund always has enough cash to pay pensions, under any circumstances, the Fund never becomes forced to sell into unfavourable market conditions but can continue to invest for the long-term.

During the quarter both portfolios underperformed. Fidelity falling -1.8% and Schroders falling -0.5%. Over the last year a noticeable performance gap has opened up between the two portfolios with Fidelity down –5.2% and the Schroders portfolio up 1.2%. This is during a period when the Fund's UK Bond portfolios fell by -8.7% and Global Equities were up over 10% in Sterling terms which makes the Schroders performance relatively impressive over the last 12 months.

Longer term the Fidelity portfolio has fallen -2.4% per annum over 5 years whilst the Schroders portfolio has risen 0.2% per annum over this period. Much of this divergence has occurred in the last 12 months when Schroders have been more fleet of foot and equity biased whilst Fidelity have remained wedded to some longer duration bonds in the belief that these will provide diversification through periods of market stress when, in reality, they became the focus of the market stress as inflation and interest rates rose.

The Fidelity portfolio has a return target of 4% per annum against 5% per annum for the Schroders portfolio, this means that the Schroders portfolio is always likely to be taking slightly higher risk.

Without the income support from these portfolios, I would be recommending a lower level of risk at the Total Fund level and less equity exposure. This makes it complex to review the performance of these portfolios separately from the Total Fund. Nonetheless, the performance of the Fidelity portfolio has been disappointing and I have held discussions with the manager around diversifying the portfolio outside of long duration bonds and accepting a slight increase in illiquidity.

Because interest rates have risen over the last 18 months, the benchmark return for these portfolios, which is a 'cash + X' benchmark, has also risen. With Fidelity now targeting 9.25% returns and Schroders 10.25 % return per annum at current interest rates. I suspect these targets are too high but given the higher yields achievable, a return above cash should be achieved going forward.

Asset Class/Manager	UK Commercial Property / Fidelity
Fund AuM	£64m Pooled Fund; 5.0% of the Fund
Performance target	IPD UK All Balanced Property Index
Adviser opinion	
Last meeting with manager	9/8/23 Alison Puhar; Tom Jeffery; Jessica Miley/ John Arthur

After a very poor UK property market in the Q4 2022 when the UK property market caught up with higher interest rates and repriced downwards by 15% on average, the last two quarters have been much less volatile. The portfolio fell by -1.8% in the quarter against a rise in the benchmark of o.4%. This was, in part, due to valuers still being cautious and valuing down any property currently being refurbished or not completely let. The Fidelity UK Property portfolio has been going through a large, planned refurbishment with work completed or nearing completion on over 25% of the portfolio over the last 2 years. Not all of these properties are completed or fully relet at the current time. In discussion with the manager I have confidence that once relet these properties will get revalued upwards because the refurbishment is bringing the individual properties up to a high environmental specification with such properties achieving higher rents than the market at the current time. A number of these refurbishments are in the office sector where valuers are particularly aggressive on values but it appears that the office market is bifurcating as high quality, environmentally leading properties are in demand and older, less energy efficient offices are difficult to let or sell. The work Fidelity has done over the last few years in bringing its offices up to amongst the best available in their region seems to have been a sound investment decision for the longer term.

Over the last three years the Fidelity UK Property portfolio has returned 3.1% per annum, slightly below the benchmark. This compares with a return of 10.5% per annum for Global Equities and -8.7% per annum for UK Bonds as measured by the Fund’s fixed interest benchmark.

I continue to see this portfolio as well managed and providing an element of diversification from the Fund’s heavy global equity exposure.

Given the current state of the UK Commercial property market, the Fund does have a number of investors looking to sell their holdings at the current time. These are predominately corporate defined benefit pension schemes who are looking to move to buyout and therefore need their investments to be liquid and easily valued. I will continue to monitor this going forward to ensure that the manager does not come under undue pressure to realise assets in difficult market conditions.

Asset Class/Manager	International Property / Morgan Stanley
Fund AuM	USD80m(£57.5M) committed / £14.1m drawn. Limited Partnership; 1.0% of the Fund
Performance target	Absolute return
Adviser opinion	
Last meeting with manager	30/8/23 John Arthur/Gareth Dittmer

When the Pensions Committee decided to invest into International Property it was to provide diversification from the Equity and Bond holdings which made up the majority of the Fund. To achieve this the Committee agreed for the mandate to be opportunistic rather than invest in core international property, selecting a manager in Morgan Stanley/New Haven who would be able to adapt to changing market circumstance and who would work with a total return target rather than a formal property index as its benchmark. Given the disruption caused to property markets globally over the last two years by rising interest rates and higher debt costs I believe this to have been a good decision.

The New Haven fund has now drawn down 32% of the commitments of US$3.08bn to the fund and is just under halfway through its four-and-a-half-year investment period. As can be seen from these figures, the rate of drawdown has been on the slow side reflecting the managers concern about rising interest rates causing a deterioration in the global property market which is what we have seen over the last 18 months.

So far, the fund has made 18 investments located in the US (59%); Japan (24%); UK/Europe (13%) and India (3%). These have mainly been into the Industrial (52%) and residential (30%) sectors with one asset each into the hospitality, office and senior living sectors. Of these 18 investments 1 IN Japan has already been sold with a good return.

Of the remaining properties, the expected return has dipped slightly as the global property market has deteriorated with an internal Rate of Return (IRR) now forecast at 16.2% in Sterling for these investments against an original expectation of achieving a 17.6% IRR. This would still mean the overall portfolio returning 1.5X the initial investment at the close. The main factors causing this slight drop in predicted IRR is an increase in the cost of construction, partly offset by rising rents but with sales now taking place at higher yields (lower prices) due to the rise in interest rates. The Japanese properties are trading investments by nature and because we have not seen such a large increase in Japanese interest rates and thereby borrowing costs, these investments look stable. The US industrial and residential investments have, in the main, seen minor drops in expected returns with only one investment, in the industrial sector in the UK showing any notable deterioration but this is still expected to produce a positive return.

Given the rapid change in dynamics within the global property market, the manager has now shifted attention towards providing debt into the sector rather than purchasing assets outright. This is because yields on high quality property debt now appear to be in double digits making them attractive and by investing into the debt rather than the equity the investment is more secure an element of collateral protection.

Since quarter end the manager has made an investment of Euro240m into a portfolio of Swedish residential assets via preferred equity giving the investment a debt like characteristic. This investment has been made at a yield of 13% for a two-and-a-half-year period. This has led to a further call being made on the Fund and the commitment will now be over 40% drawn.

Short-term cash

Following the rise in interest rates the Fund is receiving more investment income with the yield on the Multi-Asset Income funds having risen from 4% to between 5% - 6% and the yield on the Bond portfolio rising from 1.5% to 6%. At a guess this will increase the income distributed back to the Fund by approximately £8m per annum. Against this pension payments will have risen following the inflationary rise last September and will rise again this September.

The Fund should be able to operate with cash on hand of less that 1% of assets, so at present £13m.

Recommendation 4

Any accumulation of cash above that level should be lent out in short term money deposits potentially piggybacking on LB Bromley's treasury operation or, if the cash is not required for 6 months or more, invested into the Fidelity Short-duration corporate bond fund where the current yield is 6.8%.

London Borough of Bromley Pension Fund **APPENDIX 6**

LGPS Updates

Investment			
Topic	**Description**	**Timescale**	**LBB Status**
1. Task Force on Climate Related Financial Disclosures (TCFD)	TCFD reporting is already mandatory for large private pension schemes, other asset owners and asset managers. The first Local Government Pension Scheme climate risk reports will mean that administering authorities will have to set out their strategies and metrics for managing climate-related risks and opportunities.	We await the final regulations. DLUHC have confirmed that implementation of climate reporting obligations will be delayed at least until next year. (Click Here) Presuming regulations are forthcoming in time for 1st April 2024, reports covering the period 1 April 2024 - 31 March 2025 would need to be produced by December 2025. In the meantime, the Responsible Investment Advisory Group (RIAG) will look at what advice could be given to funds wishing to do a shadow reporting year, and also what could be done to standardise the development of climate reporting approaches at the pool level.	Officers assessed several methods of complying with TCFD requirements. Officers now suggest the most cost-effective solution is to align with the other 32 London Boroughs and allow the London CIV (LCIV) to contact Bromley's Investment Managers to produce a TCFD consolidated report and sensitivity analysis on behalf of Bromley. This service will be provided pro-bono. **Officers are currently in discussion with LCIV and will brief members on the details.**
2. Investment Policy - pooling	DLUHC has issued a consultation on a number of investment-related proposals for the LGPS. These include imposing a deadline of 31st March 2025 for the transition of listed assets from funds to pools; proposals around increasing LGPS investments in private equity and projects that meet the government's levelling up agenda; details around the implementation of the CMA Order relating to investment consultants, and a technical change	The Scheme Advisory Board will be responding to the consultation and will publish information about its discussions, as well as a draft response, in due course.	LBB has a draft response to the consultation, which will be considered by Members at the 11 September meeting.

	to the 2016 investment regulations. The consultation will run for twelve weeks and closes on Monday 2nd October 2023. (Click here)		
3. The Boycotts, Divestments and Sanctions Bill	The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons on 3rd July 2023. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes, and restrictions. In the course of the debate, significant concerns were expressed about the Bill. These centred around its rationale, its practicability and also whether it constituted a significant over-reach of Ministerial authority. •	The Bill reaches the Committee stage in Parliament from 5 September 2023	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
Governance			
Topic	**Description**	**Timescale**	
1. The Good Governance Project. (click here)	The SAB expects almost all of its recommendations being taken forward: • The LGPS senior officer • Workforce strategy • Monthly data collection mandated • Administration KPIs • Enhanced training requirements	• Consultation on final regulations expected in 2023	As and when related regulations are published by DLUHC an action plan will be produced.

	• Demonstrating compliance and offering resilience		
Administration			
Topic	**Description**	**Timescale**	
1. Exit Payment Cap	The Government has stated its intention to bring back the exit cap (also known as the £95K cap). In addition, we understand that it still plans to introduce changes to LGPS and Compensation Regulations at the same time as the exit cap is re-introduced.	No timescale has been provided by Government.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
2. McCloud	The Government has previously outlined the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirmed that: • the age requirement for underpin protection will be removed; • the remedy period will end on 31 March 2022; • the underpin calculation will be based on final pay at the underpin date, • even when this is after 31 March 2022; there will be two stages to the underpin calculation: the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier. The second stage will be applied when the benefits are paid; and the regulations will be retrospective to 1 April 2014.	On 6 April DLUHC published its response to its autumn 2020 consultation on the changes required to the LGPS to address the discrimination outlined in the McCloud judgment. There are no major developments in the response and there are some areas where DLUHC have delayed decisions, including on aggregation and flexible treatment. These topics will be taken forward into a further consultation in the Spring/Summer which will also include the proposed approach to interest on backdated benefits and compensation. The intention is that the final regulations will come into force on 1 October, with backdated effect from 1 April 2014. Any prospective benefit improvement will need to be shown in annual benefit statements from August 2025	Data collection exercise: Under the SAB and LGA guidance, LBB has completed the McCloud data collection exercise (most employers have responded). Resources: Resourcing impact considered and being addressed with Liberata and additional in-house resource Action required (subject to SAB and LGA guidance): - Project management - Data treatments for missing data and overriding current data
Consultation			
Topic	**Description**	**Timescale**	
1. GMP Equalisation	Following the original Lloyd Banking Group judgement in October 2018 to equalise GMP	The position is currently under further consideration with Treasury.	LBB will keep a watching brief and, through consultation with the Pensions Committee,

	accrued between 17 May 1990 and 5 April 1997 between male and female members.		respond to further developments, guidance and regulations as and when they are published. Note: LBB has completed the GMP reconciliation project (Fund's GMP data vs HMRC). We are now in the process of completing the GMP rectification project.
2. Goodwin (click here for details)	On 20 July 2020, HMT issued a note confirming that, following a successful case against the Teachers' Pension Scheme (TPS), historical widowers' pensions in the public sector pension schemes discriminated against male members.	Consultation is expected in Spring/Summer 2023 on a retrospective award of widowers' pensions backdated to 2005.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
3. Removing age 75 limit for death grant lump sums	LGPS regulations do not allow for death grant lump sums to be paid if the member is aged 75 or over. The Government now considers this rule to be discriminatory.	Consultation was expected in Spring/Summer 2023 but has been delayed on a retrospective award of death grant lump sum to affected beneficiaries backdated to 2011.	LBB will keep a watching brief and, through consultation with the Pensions Committee, respond to further developments, guidance and regulations as and when they are published.
4. Moving CARE revaluation date from 1 April to 6 April.	The annual allowance (AA) is the maximum amount of pension savings an individual can make in any one tax year, from 6 April to 5 April, that benefit from tax relief. The standard AA limit is currently £40,000. For the 2022 to 2023 tax year, the September 2022 CPI of 10.1% is higher than it has been in recent years. This higher CPI would have led to high revaluation of CARE pensions for active members in the 22/23 tax year.	In March 2023, DLUHC passed the LGPS (Amendment) Regulations 2023 moving the annual revaluation date from 1 April to 6 April in effect deferring the inflationary uplift into the next tax year. This has minimised the risk of annual allowance tax charges for active members.,	No action needed.
5. Increase to the minimum pension age	In the Finance Act published on 1st March 2022, the Government has confirmed the increase in Normal Minimum Pension Age or	With effect from 6 April 2028.	LBB will ensure that communications to members reflect this change.

	"NMPA" from 55 to 57 with effect from 6 April 2028. The legislation protects members of registered pension schemes who before 4 November 2021 have a right to take their entitlement to benefit under those schemes at or before the existing NMPA.		
6. Pensions Dashboards Programme (PDP) ([click here for details)]()	Dashboards will enable anyone who has a UK pension not in payment (including LGPS pensions) to be able to view some key details of their pension information. Dashboards will present information from UK-based pension providers including the State Pension. The legislation assumes that all UK pensions will be included. The Pensions Dashboards Regulations 2022 were given approval by Parliament, empowering PDP to set dashboards standards that underpin legislation.	The Department for Work and Pensions (DWP) has laid the Pensions Dashboards (Amendment) Regulations 2023. A revised staging timeline will be set out in guidance, and all schemes in scope will need to connect by 31 October 2026. The staging timeline will indicate when schemes (by size and type) are scheduled to connect.	In February 2023, LBB signed a contract to June 2025 with its current pensions software provider Heywood Ltd for the purchase of a digital interface to connect to pensions dashboards and conduct any necessary data cleansing to help pensions savers match with LBB data. LBB, along with all Pensions administering authorities, now awaits the update on the new connection deadline.

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Report No.
FSD23061

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**PENSIONS COMMITTEE**
Date:	**11 September 12023**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**2022/23 PENSION FUND ANNUAL REPORT AND DRAFT ACCOUNTS**
Contact Officer:	Dan Parsons, Senior Accountant Tel: 020 8313 3176 E-mail: dan.parsons@bromley.gov.uk
Chief Officer:	Peter Turner, Director of Finance Tel: 020 8313 4668 Email: peter.turner@bromley.gov.uk
Ward:	Borough Wide

1. Reason for report

1.1 This report contains the draft 2022/23 Pension Fund Annual Report and Accounts for consideration and approval by the Committee.

1.2 The Annual Report and Accounts are subject to external audit and therefore it is possible that some revisions may be required prior to finalisation.

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2. RECOMMENDATIONS

2.1 The Pensions Committee is asked to consider and approve the Pension Fund Annual Report and Draft Accounts for 2022/23.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

2. BBB Priority: Excellent Council .

Financial

1. Cost of proposal: No cost

2. Ongoing costs: Recurring cost . Total administration costs estimated at £5.9m (includes fund manager/actuary/adviser fees, Liberata charge and officer time)

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £49.6m expenditure (pensions, lump sums, etc); £57.6m income (contributions, investment income, etc); £1,269m total fund market value at 31st March 2023

5. Source of funding: Contributions to Pension Fund

Staff

1. Number of staff (current and additional): 1 FTE

2. If from existing staff resources, number of staff hours: 36 hours per week

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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS (Management and Investment of Funds) Regulations 2016

2. Call-in: Call-in is not applicable. No Executive decision.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,509 current employees; 6,019 pensioners; 6,443 deferred pensioners as at 31st March 2023

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMMENTARY

3.1 The Pension Fund is required by the Local Government Pension Scheme Regulations 2013 to publish an Annual Report and Statement of Accounts. The Regulations set out what is to be included within the report and require the report to be published by 1st December. The draft 2022/23 Pension Fund Annual Report and Accounts are attached to this report as an Appendix.

3.2 This report is being presented to the Pensions Committee, as an unaudited draft and Members can contact the Director Finance and Chairman directly with any comments arising from the report. Any subsequent changes to the report will be authorised by the Director Finance and Chairman.

3.3 The Committee is being asked to approve the draft Annual Report and Accounts, and the key governance documents contained within the Annual Report and required by regulation, namely:

- Governance Policy Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement

3.4 Once approved the draft Annual Report and Accounts will be published on the Council website. A timetable for the external audit has yet to be agreed with EY.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations, for the purpose of providing pension benefits for its employees. The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) allow local authorities to use all the established categories of investments, e.g., equities, bonds, property etc., and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications at present. The audit fee for the Pension Fund has yet to be discussed and agreed with the external auditor, EY.

6. LEGAL IMPLICATIONS

6.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended). The investment regulations (The LGPS (Management and Investment of Funds) Regulations 2016) set out the parameters for the investment of Pension Fund monies. Under the 2013 LGPS Regulations, an Annual Report is required to be published by 1st December.

Non-Applicable Sections:	Personnel Implications, Impact on Vulnerable Adults and Children, Procurement Implications

Background Documents: (Access via Contact Officer)	None.

LONDON BOROUGH OF BROMLEY PENSION FUND

ANNUAL REPORT 2022/23

Bromley
THE LONDON BOROUGH
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LONDON BOROUGH OF BROMLEY PENSION FUND
ANNUAL REPORT 2022/23
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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 ("the Fund"). Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to have regard to guidance given by the Secretary of State when preparing and publishing its Pension Fund Annual Report. Revised CIPFA guidance was issued by the Secretary of State in March 2019 and this report complies with the regulations and with the CIPFA guidance and includes additional disclosures required therein.

The Local Government Pension Scheme (LGPS) was established to provide retirement and death benefits for all eligible employees, mainly local government staff. The LGPS is a funded defined benefit 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 Consumer Prices Index for September. The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not needed immediately.

The Council's Pension Fund is a funded defined benefit career average (final salary until 31st March 2014) statutory scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013, as amended by any subsequent regulations and enactments. The Authority and employees pay contributions into the Fund, calculated at a level intended to ensure that pensions liabilities balance with investment assets over a period of time. The Fund provides benefits for members, including retirement pensions, lump sum retirement grants and widows' pensions.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following legislation:

- The LGPS (Management and Investment of Funds) Regulations 2016.
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.
- The LGPS Regulations 2013 (effective from 1st April 2014).

Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1st April 2008:

- Pension: each year worked is worth 1/80 x final pensionable salary.
- Lump sum: automatic lump sum of 3/80 for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31st March 2008:

- Pension: each year worked is worth 1/60 x final pensionable salary.
- Lump sum: no automatic lump sum but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career-average scheme and pension benefits accrued from that date are calculated as follows:

Pension: for each year of scheme membership, a pension equal to 1/49 of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.

-
- Lump sum: no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the normal retirement age for benefits accrued after 31st March 2014 changed to the later of State Pension Age or age 65.

There is a range of other benefits provided under the scheme including, but not limited to, early retirement, disability/ill-health retirement and death benefits.

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 Committee consisting of seven Councillors appointed by the Council. The Pensions Committee is primarily responsible for 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 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 investment managers of the Fund are appointed by the Committee and, as at 31st March 2023, comprise Baillie Gifford, Fidelity, MFS International, Morgan Stanley and Schroders. They are regulated by the Financial Conduct Authority (FCA). The Fund's investment managers are set individual performance targets marked against relevant market benchmarks.

2022/23 saw variable returns across of the year, with returns above benchmark in the second and thirds quarters and below benchmark in the first and final quarters. In terms of overall market returns, the total fund value decreased from £1,339.0m as at 1st April 2022 to £1,271.1m at 31st March 2023. The Fund return for the year of -3.72% was below the benchmark of -2.59%. The Fund's medium and long-term returns have remained strong overall, with returns of 0.69% for 2021/22 and 34.7% for 2020/21 against the benchmarks of 8.69% and 23.59%respectively. The overall Fund ranked 63rd against the 63 funds in the PIRC LGPS universe for the year to 31st March 2023, 50th over 3 years, 20th over 5 years and 10 years, second over 20 and first over 30 years. Further details about the Fund's performance can be found on pages 15 to 22.
The Fund's investment policy is summarised on pages 15 to 16 and further details are set out in the Investment Strategy Statement on pages 84 to 96.

LONDON BOROUGH OF BROMLEY PENSION FUND

MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

The Fund

The London Borough of Bromley Pension Fund is part of the national Local Government Pension Scheme (LGPS), which is a statutory career average (final salary until 31st March 2014) 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. Up to the local elections in May 2014, Councillors were eligible to join the scheme at the discretion of individual councils, although Councillors' pensions were based on career average Members' allowances. Since May 2014, however, Councillors can no longer be active members of the scheme.

As well as for its own employees, the Fund provides for employees who transferred from the Council or the Bromley's schools to Clarion Housing Group (formerly Affinity Sutton), Bromley Mytime, Liberata, Certitude, The Landscape Group, Amey, Cushman & Wakefield, Creative Support, Mears, Greenwich Leisure Ltd, British Telecom, Birkin Cleaning Services, Lewis and Graves, Ecocleen Services Ltd, Lodestar Cleaning Contracts Ltd, Ridge Crest Cleaning Ltd and Foots Cray Out of School Club. These bodies are permitted under the regulations to contribute to the Fund and are termed Admission Bodies. It also provides for non-teaching staff in Ravensbourne University within the borough which is termed a Scheduled Body. As at 31st March 2023, the Fund also provided for 112 school academies, which are also 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 2013, as amended by any subsequent regulations and enactments. 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.

Fund 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 Director of Finance) or referred to the General Purposes and Licensing Committee. The Pensions Committee oversees the investment of the Fund and has a general responsibility to monitor the Fund's financial position. The Governance Policy Statement (pages 37 to 42) sets out the responsibilities of the various parties involved in managing the Fund. Meetings are held quarterly and the Committee's membership for the year 1st April 2022 to 31st March 2023 comprised:

> Councillor Keith Onslow (Chairman), Councillor Kira Gabbert (Vice Chairman), Councillor Simon Fawthrop, Councillor Simon Jeal, Councillor Jonathan Laidlaw, Councillor Christopher Marlow, Councillor Ruth McGregor, Councillor Tony Owen and Councillor Sam Webber.

Member attendance at Pensions Committee meetings in 2022/23.

Councillor	8/6/22	27/6/22	1/12/22	22/2/23	13/3/23
Keith Onslow	Y	Y	Y	Y	Y
Kira Gabbert	Y	Y	Y	Y	X
Simon Fawthrop	Y	Y	Y	Y	Y
Simon Jeal	Y	Y	Y	Y	Y
Jonathan Laidlaw	Y	Y	Y	Y	Y
Christopher Marlow	Y	Y	Y	Y	Y
Ruth McGregor	Y	X	Y	Y	Y
Tony Owen	Y	Y	Y	Y	Y
Sam Webber	Y	Y	Y	X	Y
Jeremy Adams *	-	Y	-	-	-
Julie Ireland *	-	-	-	Y	-
Robert Evans *	-	-	-	-	Y

* Attended as substitute

In 2022/23, the Council used the services of a number of professional advisers, including:

Scheme Actuary
Mercer Ltd, No 4, St Paul's Square, Old Hall Street, Liverpool, L2 9SJ
Scheme adviser
MJ Hudson, 8 Old Jewry, London, EC2R 8DN
Auditor
Ernst & Young LLP, 1 More London Place, London, SE1 2AF
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
MFS International, Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB
Schroders, 1 London Wall Place, London, EC2Y 5AU
Legal adviser
Director of Corporate 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, 71 Queen Victoria Street, London, EC4V 4AY
Secretary to the trustees
Director of Corporate Services, Civic Centre, Stockwell Close, BR1 3UH
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
Pensions & Investment Research Consultants Limited (PIRC Ltd), Exchange Tower, 2 Harbour Exchange Square, London, E14 9GE
Bank of New York Mellon, 160 Queen Victoria Street, London, EC4V 4LA
Council officers
Peter Turner, Director of Finance
David Dobbs, Head of Corporate Finance and Accounting
Daniel Parsons, Senior Accountant

Local Pension Board

From April 2015, a new governance structure for the LGPS and other public sector pension schemes came into force which, among other things, required the administering authority to set up a Local Pension Board to assist in the management and administration of the LGPS. The Board had to be established by 1st April 2015 and was required to be operational by 1st August 2015. The Board's composition and terms of reference were approved by Council in February 2015 and its membership comprises two employer and two member representatives. Its main function is to assist the administering authority with the good governance of the scheme, ensuring the Fund's adherence to legislation, statutory codes of practice and guidance. The Board meets at least once a year and submits an annual report on its work to the Council's Pensions Manager.

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 68 to 83), together with comments on their materiality, on the procedures for monitoring them and on measures available to mitigate them. The risks listed have been categorised into four main areas, i.e. financial, demographic, regulatory and governance risks.

The Pensions Committee is responsible for the prudent and effective stewardship of the London Borough of Bromley Pension Fund. As part of this duty, the Committee oversees the monitoring and management of risk. The risk management process involves the identification, analysis, control and monitoring of risk. A key tool for the management of risk is the risk register. The register incorporates an assessment of likelihood and impact of risk events as well as control measures in place and an overall risk score. The risk register is kept under review by the Director of Finance and is presented to Members.

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

Management of Third Party Risk

The Fund's investment managers and its custodian issue annual internal control documents. These documents identify internal processes and procedures and details of the audit testing done on them during the year. These provide comfort to the Fund that risk management and control policies and procedures are in place within these organisations. The Director of Finance analyses and reconciles information provided by the custodian to that of the investment manager.

The Pensions Committee receives quarterly performance reports in which manager performance is reviewed. Any issues arising out of these reviews are raised at the Committee meeting. The Fund's independent investment adviser monitors the market and the activities of investment managers and informs officers if there are any concerns such as key changes of staff.

Financial Performance

The Council prepares accounts as at 31st March each year, which comply with the CIPFA Code of Practice on local authority accounting 2022/23 and the provisions of Chapter 6, Section 5 "Accounting and Reporting by Pension Funds". The Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013 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 Fund are recorded in the Pension Fund Revenue Account, which showed an overall surplus of £24.8m in 2022/23. The Fund's investment assets appear in the Council's Annual Statement of Accounts and the total value of the Fund's net assets decreased in 2022/23 from £1,339.0m as at 1st April 2022 to £1,271.1m as at 31st March 2023. The Pension Fund Accounts and Net Assets Statement, together with supporting notes, are attached (pages 48 to 70).

Annual internal audit

In 2022/23, no annual internal audit was completed, as the work done in 19/20 concluded that controls were in place and working well in the areas of:

- Communication with new joiners and setting up their records on the database system
- Communication with leavers and updating their records on the database system
- Transfer value process, including reasonableness checks for quotation and communication between the member and the new pension provider
- Refund eligibility and process
- Additional Pension Contributions eligibility, process and record keeping
- New pensioner process, including documentation, calculation, authorising payment and communication with members
- Death grant process, including calculation and authorising payment

However,
- The retirement grant, death grant, transfer in and transfer out reconciliations should be signed as verified by a second officer
- Policies and Procedure notes should be combined and stored in a shared drive for the Authority's Pension Team
- Refunds were paid to members via cheque. This limits the security of payments and could encourage fraudulent activity. The BACS payment process for refunds was fully adopted before end of the financial year

As a result, a substantial assurance opinion was given.

Analysis of pension overpayments, recoveries and amounts written

off During 2022/23 there were:
- 73 overpayments to pensioners (89 in 2021/22)
- Total Sum £27436.47 (£37848.86 in 2021/22)
- Total Outstanding £7937.63, of which £3177.87 in relation to death notifications received from January 2023 (£18584.20 in 2021/22)
- included in the above is 0 write off (1 in 2021/22)

In addition to the above there were a further 38 overpayments below £50 (25 in 2021/22) and, in such cases, the Council's policy is not to pursue.

Management Performance

Liberata UK Ltd manages 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 Fund, 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
  486 pieces of correspondence responded to in the last year, of which 100%were within the performance standard (100% in 2021/22)
- Process each stage of a transfer of pension rights (to or from the Fund) within 10 days of receiving the required information
  100% of 134 transfer-in quotations (100% in 2021/22) and 96.96 % of 204 transfer-out quotations (98.58% in 2021/22) issued within the performance standard
- Process retirement grants (lump sums) within 10 working days of retirement, provided that Liberata have all the necessary information
  97.08% of 318 retirement grants paid within the performance standard (97.42% in 2021/22)
- Issue a benefit statement annually to all active and deferred members *Statements issued to all active and deferred members by August*
- Advise pensioners in April of the annual increase to their local government pension
  Pensions increase letters issued to all pensioners in April

Five-year analysis of the Fund's membership data

Status	31/03/2023 No.	31/03/2022 No.	31/03/2021 No.	31/03/2020 No.	31/03/2019 No.
Active Members	6,509	6,385	6,205	6,253	6,316
Pensioners - widow/dependent	737	722	747	751	740
- other	5,282	5,068	4,925	4,841	4,630
Deferred Pensioners	6,443	6,275	6,197	5,945	5,746
	18,971	18,450	18,074	17,790	17,432
Undecided Leavers	1,096	732	545	457	375
Frozen Refunds	1,068	1,050	1,049	968	874
Total Membership	21,135	20,232	19,668	19,215	18,681

Administration costs (including fund management fees)

Actual costs of administering the Fund and its investments are compared to the original budget in the following table:

	2022/23 Budget £000	2022/23 Actual £000	2021/22 Budget £000	2021/22 Actual £000
Audit fee	21	21	21	21
Bank charges/transaction costs	349	228	349	257
London CIV implementation & service charge	100	110	100	110
Advice & other costs	175	106	175	408
Internal recharges	555	1,213	555	838
Total administration costs	1,200	1,678	1,200	1,634
Fund Management fees	3,900	5,028	3,900	5,186
Total	5,100	6,706	5,100	6,820

Unit cost of administration per Fund member

	2022/23	2021/22	2020/21	2019/20	2018/19
	£	£	£	£	£
Total administration costs (gross)	6,706,000	6,820,782	5,980,066	5,319,198	4,918,091
Fund Management fees	5,028,000	5,185,856	4,410,719	4,144,193	3,807,004
Total administration costs (net)	1,498,000	1,605,926	1,569,347	1,175,005	1,111,087
Cost per member:					
Net (excluding management fees)	£74.64	£79.37	£79.79	£61.15	£59.47
Gross (including management fees)	334.18	£335.69	£304.05	£279.82	£263.22

Details of contributions received from each employer in the Fund

A list of contributing employers and details of contributions received is given below. Summary details are provided in the notes to the Pension Fund Accounts (page 56). Contributions are required by statute to be paid into the Fund by the 19th day of the following month to that which they relate if paid by cheque or by 22nd if paid by bank transfer. The Pension Regulations allow the Council to charge interest on contributions that are not paid on time, but this power was not exercised in 2022/23.

Employer	Contributions 2022/23 Employee	Employer	TOTAL
	£	£	£
LB Bromley (inc Community Schools)	3,902,106	9,709,936	13,612,042
Primary Schools/ Academies			
Alexandra Infants	18,383	73,408	91,791
Alexandra Juniors	13,724	55,568	69,292
Balgowan Primary	47,549	129,710	177,259
Bickley Primary	17,369	75,235	92,406
Biggin Hill Primary	27,100	107,951	135,052
Blenheim Primary	20,204	80,996	101,200
Burnt Ash Primary	44,602	180,507	225,109
Castlecombe Primary	25,230	101,790	127,020
Chelsfield Primary	4,569	20,646	25,215
Churchfields Primary	31,223	122,944	154,167
Clare House Primary	21,175	88,016	109,191
Crofton Infants	34,857	139,916	174,773
Crofton Juniors	38,904	156,454	195,358
Cudham CE Primary	10,192	40,858	51,050
Darrick Wood Infants	14,032	55,483	69,515
Darrick Wood Junior	16,649	77,351	94,000
Dorset Road	5,471	22,786	28,257
Farnborough	13,088	52,597	65,685
Grays Farm	27,374	107,467	134,841
Green Street Green Primary	33,151	134,561	167,712
Harris Beckenham Green	13,028	56,953	69,982
Harris Crystal Palace	28,484	114,285	142,769
Harris Kent House	27,831	111,027	138,858
Harris Primary Academy Beckenham	13,776	23,417	37,193
Harris Primary Academy Orpington	26,995	106,805	133,800
Harris Shortlands	15,138	60,969	76,108
Hawes Down Primary	31,504	135,905	167,409
Hayes Primary	29,398	121,878	151,276
Highfield Infants	19,904	82,261	102,165
Highfield Juniors	12,559	51,090	63,649
Highway Primary	15,213	61,428	76,641
Holy Innocents	17,490	71,276	88,766
James Dixon Primary	27,918	122,897	150,814
Keston Primary	11,071	48,717	59,788
La Fontaine	18,409	29,423	47,833
Langley Park Primary	10,704	21,421	32,125
Leesons Primary	25,608	102,576	128,184
Manor Oak Primary	14,608	59,350	73,958
Marjorie McClure	51,252	205,666	256,918
Marian Vian	24,372	99,350	123,722
Mead Road	7,048	28,447	35,495
Midfield Primary	41,629	170,013	211,642
Mottingham	24,160	97,633	121,793
Oak Lodge	25,208	106,364	131,572
Oaklands	33,256	132,811	166,066
Parish Primary	32,784	145,179	177,963
Perry Hall	19,152	85,718	104,870
Pickhurst Infants	28,552	116,131	144,683
Pickhurst Juniors	36,301	140,161	176,462
Pratts Bottom	4,704	19,675	24,379
Raglan Primary	33,463	135,454	168,917
Red Hill Primary	37,916	150,421	188,337
Scotts Park Primary	28,026	113,860	141,886
Spring Partnership Trust	20,276	70,064	90,340
St Anthony's RC Primary	9,438	43,356	52,795

Employer	Employee £	Employer £	TOTAL £
St James RC School	15,985	64,054	80,039
St John's Primary	14,595	60,433	75,028
St Joseph's Primary	12,654	50,455	63,109
St Marks CE Primary	23,157	96,251	119,408
St Mary Cray	18,303	73,448	91,751
St Mary's R.C Primary	20,975	93,259	114,234
St Nicholas	11,004	43,214	54,218
St Paul's Cray C of E Primary	35,256	101,727	136,983
St Peter & St Paul Primary	17,793	71,813	89,606
St Philomenas Primary	15,236	64,962	80,198
St Vincent	16,138	66,007	82,146
Stewart Fleming Primary	23,186	99,256	122,442
Trinity C of E Primary	47,519	188,434	235,953
Tubbenden Primary	49,440	190,966	240,406
Unicorn	21,165	85,811	106,976
Valley	39,483	158,104	197,587
Warren Road	53,125	232,466	285,591
Wickham Common	16,197	66,306	82,504
Worsley Bridge Juniors	15,353	63,479	78,832
Secondary Schools			
Bishop Justus	101,472	368,127	469,599
Bullers Wood Girls	75,990	303,817	379,807
Charles Darwin	53,255	236,548	289,803
Chislehurst School for Girls	64,209	265,942	330,151
Coopers	73,195	263,754	336,949
Darrick Wood	75,412	291,351	366,763
Eden Park High	23,807	42,023	65,830
Harris Academy Orpington	42,997	166,800	209,777
Harris Beckenham	43,538	162,923	206,460
Harris Bromley	39,418	139,481	178,899
Hayes	62,827	244,527	307,354
Kemnal Technology College	31,896	126,049	157,945
Langley Park Boys	65,712	263,054	328,767
Langley Park Girls	54,634	260,549	315,183
Newstead Wood	40,130	165,218	205,348
Ravensbourne	85,230	206,784	292,014
Ravenswood	58,347	249,455	307,802
St Olaves	49,171	188,676	237,846
Special/AP Schools			
Bromley Beacon	45,539	175,809	221,347
Compass Academy Trust	25,862	104,780	130,642
E21st Century Trust	22,117	59,886	82,003
Harris Aspire	31,151	27,426	58,577
Langley Park Trust Central	7,863	26,390	34,253
LSEC MAT central team	8,735	30,841	39,576
Nexus Multi academy Trust	15,570	44,129	59,699
Ravensbourne College	315,448	727,867	1,043,315
The Bromley Trust Academy	28,145	109,468	137,613
The Glebe	53,541	205,779	259,230
The Kemnal Academies Trust	103,530	314,628	418,158

Employer	Employee £	Employer £	TOTAL £
Birkin Cleaning	1,453	6,671	8,124
British Telecom	53,222	110,434	163,656
Certitude	43,773	122,725	166,497
Clarion House	-	69,600	69,600
Creative Support	2,990	11,990	14,980
Cushman and Wakefield	17,010	46,150	63,160
Ecocleen Service Ltd	88	323	411
Greenwich Leisure Limited	74,139	254,918	329,056
Lewis and Graves	677	3,064	3,740
Liberata	56,748	185,147	241,895
MyTime Active		854,120	854,120
The Landscape Group	5,579	17,407	22,986
	7,633,401	**26,584,520**	**34,317,921**

INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Principles

In accordance with the requirements of regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations"), as amended, the Council has produced an Investment Strategy Statement (ISS). The ISS was originally approved by the Pensions Committee on 22nd February 2017 and subsequent amendments (to reflect the revised asset allocation strategy) were approved on 19th September 2017 and 13th February 2020. This is published on the Council's website (see pages 84 to 96).

Investment Managers

Investment of the Fund is governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which define the categories of investments that may be used. In practice, investment in all the principal classes of assets is permitted. Most of the Pensions Committee's work relates to the monitoring of investment performance, which can have a critical impact on the value of the Fund's assets.

The Council currently employs five investment managers:

- Baillie Gifford & Company (initially appointed in December 1999 and still running a global equities mandate from December 2013);
- Fidelity Pensions Management (originally appointed in April 1998, with a fixed income mandate since December 2013, and Multi-Asset Income Fund and UK Property Fund mandates from February 2018);
- MFS International (appointed from December 2013 to manage a global equities mandate);
- Schroder Investment Management (appointed from December 2017 to manage a Multi-Asset Income Fund).
- Morgan Stanley Northaven (appointed in December 2021) to manage a USD property fund.

It also 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 Committee is responsible for all of these appointments.

Quarterly meetings of the Committee are held to review the performance of the investment managers, and each manager submits a report on his activities in the previous quarter. The Fund managers attend meetings as requested to present and discuss reports on performance. The Director of Finance presents a separate report on investment performance to each meeting, based on data prepared by BNY Mellon and PIRC, and including comments from the Fund's external advisers, MJ Hudson.

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 Investment Strategy Statement (pages 94 - 100). The Pensions Committee is responsible for determining and reviewing the asset allocation strategy of the Fund and this is reviewed on a regular basis. The asset allocation strategy agreed in 2006 (two balanced portfolios managed by Fidelity and Baillie Gifford with benchmarks based on a broad 80:20 ratio of equities to bonds) remained in place until the comprehensive strategy review that took place during 2011/12 (see below), following relatively poor performance in 2011/12.

The review concluded that, in view of ongoing world market problems, a change of direction was required. Consequently, the Committee agreed to maintain the high level 80%/20% split between growth seeking assets (representing the long-term return generating part of the Fund's assets) and protection assets (aimed at providing returns to match the future growth of the Fund's liabilities). The growth element would, however, comprise a 10% investment in Diversified Growth Funds (DGF - a completely new mandate) and a 70% allocation to global equities. The latter involved the elimination of previous arbitrary regional weightings, which now provides new managers with greater flexibility to take advantage of investment opportunities in the world's stock markets, thus, in theory at least, improving long-term returns. A 20% protection element would remain in place for investment in corporate bonds and gilts.

Following a review, the asset allocation strategy was revised in April 2017, to provide income generating investments to help meet the Fund's cash-flow requirements at the same time as aiming to reduce overall risk. The strategy removed the allocation to Diversified Growth Funds, reduced the allocation to Global Equities and Fixed Income, and introduced allocation to Property (pooled funds) and Multi-Asset Income (MAI).

Following OJEU tender exercises, mandates were awarded for MAI to Schroders (60%) and Fidelity (40%), and for Property to Fidelity. The Fidelity MAI and initial drawdown of the property fund were completed in February 2018, and the Schroders MAI investment completed in May 2018. A further drawdown of the Fidelity property was completed in December 2018. The sale of the balance of the Blackrock Fund was completed and transferred to Fidelity's MAI Fund.

The asset allocation strategy was reviewed again during 2019/20, and a reviewed strategy is currently being finalised. The revised strategy has amended the allocations as follows: Equities (58%), Multi Asset Income Funds (20%), Fixed Income (13%), UK Real Estate (4%) and International Property (5%).

Fees paid to the investment managers are charged to the Fund. In 2022/23, these were calculated on the following bases:

Baillie Gifford (global equities - Base fee (quarterly 0.65% of first £30m of Fund, 0.50% of next £30m and 0.35% of remainder
Baillie Gifford (fixed income - Base fee (quarterly 0.30% of total Fund value
Fidelity (fixed income - Base fee (quarterly 0.35% of first £10m of Fund value, 0.30% of next £10m, 0.21% of next £30m and 0.18% of remainder. From 1st January 2018 a reduction of 20% has been applied
Fidelity (MAI - Base fee (quarterly 0.40% of first £20m of Fund value, 0.30% of next £30m, 0.25% of next £100m and 0.20% of remainder
Fidelity (Property - Base fee (quarterly 0.75%
MFS (global equities - Base fee (quarterly 0.60% of first £25m of Fund value, 0.45% of next £25m and 0.40% of remainder
Schroders (MAI) – 0.35% of Fund value.
Morgan Stanley Northaven - to follow

Review of Investment Performance

BNY Mellon provide an independent performance measurement service for the Fund, and PIRC provide an LGPS universe comparator service.

Performance data for 2022/23

Fund Value

2023 was a difficult year for most LGPS funds, with the average fund delivering a negative return. The total market value of the Fund has fluctuated considerably in the last few years. Since 2002, however, increases in the good years (most notably 2005/06, 2009/10, 2012/13, 2014/15, 2016/17, 2017/18, 2018/19 and 2020/21 have far exceeded decreases in the bad years (2002/03, 2008/09, 2019/20, 2021/22 and 2022/23. As a result, the total value of Fund investments has increased from £180.3m as at 31st March 2003 to £1,271.1m as at 31st March 2023. In 2022/23, the value decreased by 9.5% from £1,339.0m to £1,271.1m.

MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

	Baillie Gifford					Fidelity							Blackrock	MFS		Schroder	MS	CAA M	
Date	Balanced Mandate	DGF	Fixed Income	Global Equities	Total	Balanced Mandate	Fixed Income	MAI	Property	Sterling Bond	USD ILF	Total	Global Equities	Global Equities	DGF	MAI	US Property	LDI	**GRAND TOTAL**
31/03/02	113.3				113.3	112.9						112.9							226.2
31/03/03	90.2				90.2	90.1						90.1							180.3
31/03/04	113.1				113.1	112.9						112.9							226
31/03/05	128.5				128.5	126.7						126.7							255.2
31/03/06	172.2				172.2	164.1						164.1							336.3
31/03/07	156				156	150.1						150.1						43.5	349.6
31/03/08	162				162	151.3						151.3						44	357.3
31/03/09	154.4				154.4	143						143							297.4
31/03/10	235.4				235.4	210.9						210.9							446.3
31/03/11	262.6				262.6	227						227							489.6
31/03/12	269.7				269.7	229.6						229.6							499.3
31/03/13#	315.3	26.5			341.8	215.4						215.4			26.1				583.3
31/03/14@	15.1	26.8	45.2	207.8	294.9		58.4					58.4	122.1	123.1	27				625.5
31/03/15		45.5	51.6	248.2	345.3		66.6					66.6	150.5	150.8	29.7				742.9
31/03/16		44.8	51.8	247.9	344.5		67.4					67.4	145.5	159.2	28.3				744.9
31/03/17		49.3	56.8	335.3	441.4		74.3					74.3	193.2	206.4	28.5				943.8
31/03/18$&			58	380	438		75.6	79.2	15.9			170.7	155.2	206.8					970.7
31/03/19			59.2	416.5	475.7		78.7	78.8	48.6			206.1	11.4	230.2		115.8			1,039.20
31/03/20			60.9	411.85	472.7		83.5	80.6	47			211.1		220.3		96.1			1,000.30
31/03/21				597.7	597.7		85.7	131.4	46.3	64.8		328.2		293.1		110.9			1,329.90
31/03/22				527.8	527.8		81.2	125.5	77.9	61.2	14.8	360.6		332.9		108.7			1,330.09
31/03/23				438.3	438.3		78.6	124.4	65.1	63.5	20.5	352.1		350.2		114.8	14.2		1269.60

£50m Fidelity equities sold in Dec 2012 to fund Standard Life and Baillie Gifford DGF allocations.

@ Assets sold by Fidelity (£170m) and Baillie Gifford (£70m) in Dec 2013 to fund MFS and Blackrock global equities.

$ £32m Blackrock global equities sold in July 2017 to pay group transfer value re Bromley College.

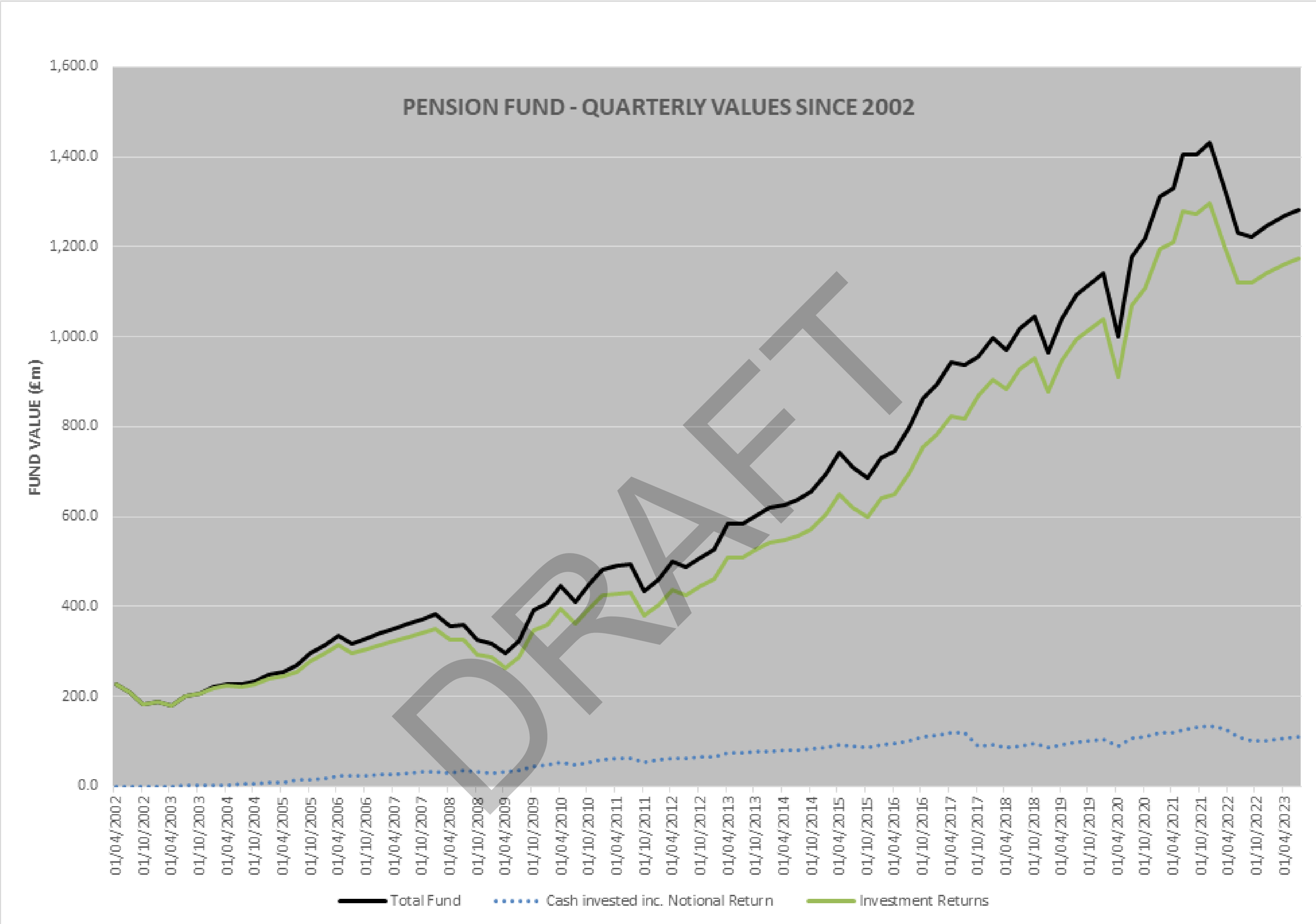
& Assets sold by Baillie Gifford (£51m), Standard Life (£29m) and Blackrock (£19m) in Feb 2018 to fund Fidelity MAI and Property funds.

£ Assets sold by Blackrock (£120m) in May 2018 to fund Schroder MAI fund.

^ Assets sold by Blackrock (£20m) in August 2018 to fund Fidelity Property fund.

* Assets sold by Blackrock (£13.7m) in December 2018 to fund Fidelity Property fund.

" Assets sold by Blackrock (£11.6m) in May 2019 to fund Fidelity MAI.



Note: This data is from our Custodian The Bank of New York Mellon. Any differences between these figures and the draft accounts are due to timing differences

Investment Performance

The Fund's medium and long-term returns have remained strong overall, in a year which was difficult for all LGPS funds. Total return in 2022/23 was -3.72% against a benchmark of -2.59%, the returns for 2021/22 was 0.69% against the benchmark of 8.69%, ranking 63rd in the LGPS Universe of 63 funds maintained by PIRC.

For 2020/21 the return was 34.07% against a benchmark of 23.59%. Total return in 2019/20 was -2.75% against a benchmark of -1.98%, the returns for 2018/19 was 7.98% against the benchmark of 8.17%.

For 2017/18, the return was 6.7% against the benchmark of 3.1%, in 2016/17, the total return was 26.8% against the benchmark of 24.6% (ranking 1st). In 2015/16, the total return was 0.1% against the benchmark return of 0.5% (ranking in the 39th percentile (the lowest rank being 100%). In 2014/15, the fund returned 18.5% compared to the benchmark return of 16.4% (overall ranking in the 7th percentile).

For comparison, the rankings in earlier years were 29% in 2013/14, 4% in 2012/13, 74% in 2011/12, 22% in 2010/11, 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.

From December 2013 until the initial implementation of the revised Asset Allocation Strategy in February 2018, the Fund employed a total of five managers, reducing to four and then returning to five, all of which are measured against specific benchmarks and are given specific performance objectives, as follows:

- Global equities – Baillie Gifford, Blackrock and MFS are all required to outperform the MSCI All Countries World Index.
- Multi-Asset Income – Fidelity are required to generate a total return in excess of LIBOR +4% p.a. and Schroders LIBOR +5%.
- Fixed income – Baillie Gifford are required to outperform 88% Sterling Aggregate Benchmark (50% FTSE UK Conventional Gilts Actuaries All stocks index and 50% Bank of America Merrill Lynch Sterling Non-Gilt Index), 6% JP Morgan GBI-EM Global Diversified Index un-hedged in Sterling and 6% Bloomberg Barclays Global Aggregate Credit GBP Hedged Index; Fidelity are required to outperform 50% Sterling Gilts/50% Sterling non-Gilts.
- Property – Fidelity are required to outperform the IPD UK PFI - All Balanced Property Fund Index

The Bank of New York Mellon measures their results against these benchmarks and, at total Fund level, PIRC maintains the local authority universe for comparator information. The following tables show total Fund performance and the performance returns of the individual managers in periods ended 31st March 2023.

PENSION FUND MANAGER PERFORMANCE TO MARCH 2023

Portfolio	1 Year %	3 Years %	5 Years %	Since Inception %
Baillie Gifford Global Equity	(3.26)	12.28	8.95	8.64
Benchmark	(0.93)	16.00	10.21	8.05
Excess Return	(2.33)	(3.73)	(1.26)	0.59
Fidelity Fixed Income	(14.07)	(5.62)	(1.54)	5.00
Benchmark	(13.66)	(6.33)	(1.98)	4.25
Excess Return	(0.41)	0.71	0.43	0.75
Fidelity MAI	(9.12)	1.35	0.00	(0.24)
Benchmark	4.00	4.00	4.00	4.00
Excess Return	(13.12)	(2.65)	(4.00)	(4.24)
Fidelity Property	(14.00)	2.76	2.12	2.21
Benchmark	(14.47)	2.57	2.48	2.57
Excess Return	0.47	0.19	(0.36)	(0.36)
MFS Global Equity	5.24	16.66	11.10	12.12
Benchmark	(1.43)	15.47	9.66	10.66
Excess Return	6.68	1.19	1.44	1.46
Schroder MAI	(4.89)	4.72		0.12
Benchmark	5.00	5.00		5.00
Excess Return	(9.89)	(0.28)		(4.88)
Lon Borough Bromley USD	2.57			2.64
Total Fund	(3.72)	9.13	6.42	8.54
Benchmark	(2.59)	9.38	6.77	
Excess Return	(1.13)	(0.25)	(0.35)	

Medium and long-term performance data

The Fund’s medium and long-term returns have remained strong over the long term, with the Fund ranking 63rd, 50th, 20th, 2nd, 2nd, and 20th over 1, 3, 5, 10, 20 and 30 years respectively to 31st March 2023*, and underlines the fact that the Fund’s performance has been consistently strong over a long period. Whole Fund returns and rankings for individual years are shown in the following table:

Year	Whole Fund Return	Benchmark Return	Local Authority Average*	Whole Fund Ranking*
	%	%	%	
Financial year figures				
2022/23	***-3.72***	***-2.59***	***-1.6***	***63***
2021/22	0.7	8.7	8.6	60
2020/21	34.1	23.6	22.8	2
2019/20	-2.7	-1.8	-4.8	22
2018/19	8.0	8.3	6.6	11
2017/18	6.7	3.1	4.5	3
2016/17	26.8	24.6	21.4	1
2015/16	0.1	0.5	0.2	39
2014/15	18.5	16.4	13.2	7
2013/14	7.6	6.2	6.4	29
2012/13	16.8	14.0	13.8	4
3 year ave to 31/3/23	***9.1***	***9.4***	***9.5***	***50***
5 year ave to 31/3/23	***6.4***	***6.8***	***5.9***	***20***
10 year ave to 31/3/23	***8.9***	***n/a***	***7.3***	***2***
20 year ave to 31/3/23	***10.0***	***n/a***	***8.4***	***2***
30 year ave to 31/3/23	***8.5***	***n/a***	***7.7***	***1***

*The most recent LA averages and ranking as at 31/03/23 are based on the PIRC LA universe containing 63 of the 89 funds.

Custodial arrangements

The Fund 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.

FUND 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 37 to 42. In addition, the Local Government Pension Scheme Regulations 2013 require administering authorities to report the extent of compliance against a set of best practice principles published by the government. The Governance Compliance Statement was reported to the General Purposes and Licensing Committee in July 2008 and is attached at pages 39 to 42.

Fund 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 on pages 8 - 11 and in the supporting notes to the Pension Fund accounts (page 54).

Liberata UK Ltd

AAs administrators of the Fund, 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 over 15,000 Fund members, including LB Bromley staff, non-teaching staff employed by LB Bromley, Affinity Sutton (formerly Broomleigh Housing Association), Bromley MyTime, Liberata UK, Landscape Group, Certitude, Churchill Cleaning Services, Birkin Cleaning Services, Amey, Cushman and Wakefield, Bromley & Lewisham MIND, Certitude, Creative Support, Mears Care, British Telecom, Greenwich Leisure, Lewis & Graves, Lodestar Cleaning Services, EcoCleen Services, Ridge Crest Cleaning, Footscray Out of School Club, Busy Bee Cleaning, City West, Ambient Support, Diagrama Healthcare, Caterlink Bleheim, Caterlink Eden park, Caterlink Mottingham, Caterlink Scotts Park, Caterlink Ravensbourne School, Eleanor Nursing and social care and the Council’s colleges - Ravensbourne University, academies 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 members informed of their options.
- Provision of illustrations for transfer of members’ previous pension benefits into the Fund 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 the capital impact on the Fund of early payment of benefits – including one-off payments.
- Operation of special provisions of the LGPS relating to elected Members who have opted to join the Fund.
- Provision of data to the Council’s actuary for the annual IAS19 exercise and for triennial full valuations of the Fund.
- Submission of statutory returns to government bodies as required.
- Maintenance of 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 Fund for new employers

Key activities in 2022/23 included:

- Data Accuracy Reports, Common data 2022 96.5% from 96.9% in 2021
- Specific data 2020 from 95.3% to 95.9%
- McCloud project – data investigation and updating 650+ records
- MSS self-service portal training and testing
- Pension Team moving on site at the Civic Centre

Enquiries and Complaints

In order to protect Members' interests, the Council is required by the LGPS Regulations to set up a two-stage appeal procedure. Full details c a n 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, CR0 0ZW	Tel: 020 8603 3429 E-mail: pensions@bromley.gov.uk Website: www.liberata.com
London Borough of Bromley, Director of Finance, Civic Centre, Stockwell Close, Bromley, 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, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU	Tel: 0345 600 2537

The former Pensions Advisory Service (TPAS) has now merged with
The Pensions Ombudsman (TPO)
to provide a service to assist members with any difficulties that they cannot resolve with their pension schemes, and to investigate and determine any complaint or dispute involving maladministration of the Scheme, or matters of fact or law.

The Pensions Ombudsman 10 South Colonnade Canary Wharf London E14 4PU	Tel: 0800 917 4487 Website www.pensions-ombudsman.org.uk

The Fund's Internal Dispute Resolution Procedure.

Members are initially encouraged to contact Liberata UK if they are not sure which benefits they are entitled to or if they have a problem with their benefits. Many problems are resolved informally in this way before they escalate.

If, however, Members are not satisfied with anything relating to their membership of the Fund, their pension benefits or decisions taken that affect them (or their dependants), they have the right to ask for a review under the formal complaint procedure. This procedure is called the Internal Dispute Resolution Procedure (IDRP).

The IDRP has two stages:

- Stage 1: the complaint should be made formally, in writing, within 6 months of the date of notification of the decision against which the member wishes to complain. A person nominated by the employer will review the decision and inform the complainant in writing within 3 months of the date on which the complaint was logged.
- Stage 2: the member can ask for a second look at the complaint (by a person not involved in the first stage decision) if he/she is not satisfied with the first stage decision or if the first stage decision has not been made within 3 months of the date on which it was logged.

If the complainant is still unhappy with the decision after the second stage, he/she can take the case to the Pensions Ombudsman, provided this is within 3 years of the original decision or problem.

There were no formal complaints raised through the IDRP in 2022/23.

Membership of Bodies

The Fund is a member of the following bodies:

- Local Government Pensions Committee – provides technical advice, guides, communications and training on the Local Government Pension Scheme;
- London CIV – established for the purposes of a London Pensions Common Investment Vehicle

ACTUARIAL REPORT

The regulations require an actuarial valuation of the Fund’s assets and liabilities every three years and the Pensions Committee is responsible for considering the actuary’s report. In the report on the most recent valuation as at 31st March 2019, the Fund’s actuary, Mercer Ltd, determined the level of employers’ contributions for the three years 2020/21 to 2022/23. 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. Contribution rates for the years 2017/18 to 2019/20 were set by the 2016 valuation. The next full valuation of the Fund (as at 31st March 2022) will be carried out during 2022/23.

In the 2019 valuation, the actuary found that the value of the Fund’s assets represented 110% of the value of its liabilities, up from 91% in 2016. The actuarially assessed positions at 31st March 2016 and 2019 are summarised in the table below:

Valuation	**31st March 2016**	**31st March 2019**	**Change**
	£m	£m	%
Liabilities	818	945	+15.5
Assets	748	1,039	+38.9
Surplus	(70)	94	-234.3
Funding level	91%	110%	+19

The key actuarial assumptions as at 31st March 2016 and 2019 are shown below:

Financial Assumptions	**2016**	**2019**
Future investment returns	**% p.a.**	**% p.a.**
Discount Rate	4.2	3.65
Pay increases – long term	3.7	3.9
Pay increases – short term (3 years)	n/a	n/a
General inflation	2.2	2.4
Pension increases	2.2	2.4

In the 2016 Valuation, the primary employer contribution rate in respect of future service with effect from 1st April 2017 to 31st March 2020 was set at 17.0% for all Fund employers. The 2019 Valuation increased this to a weighted average of 17.6% for the three years 1st April 2020 to 31st March 2023, and for the Council, the rate is 16.7 %. In addition to the primary contributions in respect of Fund members, employers are also required to make contributions to eliminate the Fund deficit, the secondary contribution rate. For the Council, this was fixed in the 2016 valuation at £2.1m per annum in 2017/18, 2018/19 and 2019/20 with the aim of recovering the deficit over a period of 12 years. For the 2019 valuation, the secondary contribution rate also included an allowance for the estimated cost of the McCloud judgment. For the Council, the secondary contribution rate was set as a variable rate at 1% of Pensionable Pay per annum for 2020/21 to 2022/23.

The 2019 valuation report also contained contribution rates for the other employers in the Fund, including Ravensbourne College, Clarion Housing (formerly Affinity Sutton), Liberata UK, Birkin Cleaning Services, The Landscape Group, Certitude, Amey, Cushman & Wakefield, Creative Support, Mears Care, BT, Greenwich Leisure Ltd, Ecocleen Service Ltd, Footscray Out of School Club, Ridge Crest Cleaning and as well as for schools. Separate contribution rates were also set for those schools that had adopted academy status. A deficit recovery period of no more than 12 years was set for all these employers, in line with the period set for the Council. The Contribution Schedule set by the actuary is shown on pages 32 to 35.

The Fund income from employer contributions by the Council has increased steadily over the years, principally because there has been a funding shortfall in the Fund since the early nineties. Since then, a programme of annual increases in employer contributions has been implemented with the aim of eliminating the shortfall over an extended period. At the 2016 valuation, the Fund's strategy was to achieve a funding level of 100% by 2028, this was achieved at the 31st March 2019 valuation where the funding level was 110%. However, since the valuation date, However, since the valuation date it is likely that the assessed funding level of 110% has changed due to the impact of Covid-19. The funding level will be reassessed in the next full valuation (as at 31st March 2022), the results of which will be known towards the end of 2022/23.

The latest Fund valuation report (as at 31st March 2019) can be found at: Pension Fund Actuarial Valuation Report. No interim valuations were carried out between that date and the previous full valuation as at 31st March 2016.

The actuary's Summary Funding Statement and Rates and Adjustments certificate are attached at pages 28 to 29 and 30 to 31 respectively.

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31st MARCH 2019 – KEY RESULTS OF THE FUNDING ASSESSMENT
(Section 3 of the Actuarial Valuation as at 31st March 2019)

SOLVENCY FUNDING POSITION

The table below compares the assets and liabilities of the Fund at 31st March 2019. Figures are also shown for the last valuation as at 31st March 2016 for comparison.

	£m	
	31st March 2019	**31st March 2016**
Total assets	1,039	748
Liabilities:		
Active Members	277	258
Deferred Pensioners	205	167
Pensioners	463	393
Total Liabilities	945	818
Past Service Surplus / (Shortfall)	94	(70)
Funding Level	110%	91%

The liability value at 31st March 2019 shown in the table above is known as the Fund's solvency funding target. The solvency funding target is calculated using assumptions that the Administering Authority has determined are appropriate having consulted with the actuary and are also set out in the Administering Authority's Funding Strategy Statement (FSS).

The table shows that at 31st March 2019 there was a surplus of £94m against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover 110% of its liabilities – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31st March 2016 the shortfall was £70m, equivalent to a solvency funding level of 90%. The key reasons for the changes between the two valuations are considered in Section 3 of the full valuation report. Further details of the way in which the solvency funding target has been calculated are set out in Appendix A of the full valuation report.

PRIMARY CONTRIBUTION RATE

The valuation looks at the normal employer contribution rate required to cover the cost of the benefits (including death benefits and expenses) that will be built up over the year after the valuation date (the "Primary Contribution Rate"). A summary of the assumptions used is provided in Appendix A of the full valuation report.

The table below gives a breakdown of the Primary Contribution Rate at 31st March 2019 and shows the corresponding rate at 31st March 2016 for comparison. In calculating the average Primary Contribution Rate, we have not made any allowance for future members to opt for the 50:50 scheme.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the governing Regulations (see Appendix D of the full report).

	% of pensionable pay	
	31st March 2019	**31st March 2016**
Normal contribution rate for retirement and death	23.4	22.8
Allowance for administrative expenses	0.7	0.7
Total normal contribution rate	24.1	23.5
Average member contribution rate	6.5	6.5
Common Contribution rate	17.6	17.0

* *In line with updated CIPFA guidance, the 2019 Primary Contribution Rate is the weighted average of the individual employer Primary Contribution Rates as derived based on their individual circumstances (e.g. whether or not they are closed to new entrants).*

CORRECTING THE IMBALANCE – SECONDARY CONTRIBUTION RATE

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period adopted is 12 years, and the total initial recovery payment (the "Secondary rate" for 2020/21) is an addition of approximately £0.1m plus 2.4% of pensionable pay (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), including the estimated costs in relation to the McCloud judgement where appropriate.

The Solvency Funding Position and Primary Contribution Rate figures do not include an allowance for the estimated cost of the McCloud judgement. However, at the overall Fund level it was estimated that the cost of the judgement could be an increase in past service liabilities of broadly £7 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum.

To the extent that employers have opted to pay additional contribution over 2022/23 in relation to the McCloud judgement, these emerge the Second Contribution Rate figures above.

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31st MARCH 2019
RATES AND ADJUSTMENTS CERTIFICATE ISSUED IN ACCORDANCE WITH REGULATION 62
(Appendix G of the Funding Report of the Actuarial Valuation as at 31st March 2019)

PRIMARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1st April 2020 is 17.6% of pensionable pay.

The primary rate of contribution for each employer for the three-year period beginning 1st April 2020 is set out in the attached schedule.

SECONDARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1st April 2020 is as follows:

2020/21 £0.1 million plus 2.4% of pensionable pay
2021/22 £0.1 million plus 2.4% of pensionable pay
2022/23 £0.1 million plus 2.4% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1st April 2017 is set out in the attached schedule. The above secondary rates, and the secondary rates for each employer, where appropriate include a provision for the costs of the McCloud judgement as set out in the notes to Appendix H.

CONTRIBUTION AMOUNTS PAYABLE

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) or at intervals agreed by the Administering Authority unless otherwise noted in the schedule.

FURTHER ADJUSTMENTS

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of £nil.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's surplus or deficit is transferred to a new employer on its inception, the Scheme employer's secondary contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

REGULATION 6 2(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Leanne Johnston
Fellow of the Institute and Faculty of Actuaries
31st March 2021

James Hunter
Fellow of the Institute and Faculty of Actuaries

Schedule to the Rates and Adjustment Certificate dated 31st March 2021

Er No.	Employer	Notes	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Major Employer									
1	London Borough of Bromley		16.7%	1.0%	1.0%	1.0%	17.7%	17.7%	17.7%
Scheduled Bodies									
27	Ravensbourne College		13.7%	0.5%	0.5%	0.5%	14.2%	14.2%	14.2%
31	St Olaves		18.5%	Nil	Nil	Nil	18.5%	18.5%	18.5%
Academies / Free Schools									
602	Darrick Wood Academy		20.1%	4.5%	4.5%	4.5%	24.6%	24.6%	24.6%
603	Chislehurst School for Girls		18.6%	4.7%	4.7%	4.7%	23.3%	23.3%	23.3%
604	Bishop Justus Academy		19.1%	4.2%	4.2%	4.2%	23.3%	23.3%	23.3%
605	Coopers Technology Academy		16.8%	6.5%	6.5%	6.5%	23.3%	23.3%	23.3%
606	Bullers Wood School		19.1%	5.3%	5.3%	5.3%	24.4%	24.4%	24.4%
607	Charles Darwin Academy		21.5%	6.6%	6.6%	6.6%	28.1%	28.1%	28.1%
608	Hayes Secondary School		19.7%	3.6%	3.6%	3.6%	23.3%	23.3%	23.3%
609	Langley Park Boys Academy		18.8%	5.2%	5.2%	5.2%	24.0%	24.0%	24.0%
610	Newstead Wood School		18.2%	6.2%	6.2%	6.2%	24.4%	24.4%	24.4%
611	Ravens Wood School		18.7%	11.2%	11.2%	11.2%	29.9%	29.9%	29.9%
612	Ravensbourne Academy		17.5%	5.8%	5.8%	5.8%	23.3%	23.3%	23.3%
613	Langley Park Girls School		18.5%	5.5%	5.5%	5.5%	23.3%	23.3%	23.3%
614	Hayes Primary School		17.8%	5.5%	5.5%	5.5%	23.3%	23.3%	23.3%
615	Warren Road School		19.6%	4.1%	4.1%	4.1%	23.7%	23.7%	23.7%
616	Balgowan Primary School		20.2%	3.3%	3.3%	3.3%	23.5%	23.5%	23.5%
617	Biggin Hill Primary		18.8%	3.0%	3.0%	3.0%	21.8%	21.8%	21.8%
618	Darrick Wood Infants School		22.2%	2.4%	2.4%	2.4%	24.6%	24.6%	24.6%
619	Green Street Green Primary		20.4%	6.0%	6.0%	6.0%	26.4%	26.4%	26.4%
620	Pickhurst Infants School		19.4%	0.2%	0.2%	0.2%	19.6%	19.6%	19.6%
621	Pickhurst Junior Academy		18.4%	0.3%	0.3%	0.3%	18.7%	18.7%	18.7%
622	Stewart Fleming Academy		17.5%	0.4%	0.4%	0.4%	17.9%	17.9%	17.9%
623	Valley Primary School		19.1%	3.8%	3.8%	3.8%	22.9%	22.9%	22.9%
624	Crofton Junior School		18.5%	4.5%	4.5%	4.5%	23.0%	23.0%	23.0%

626	Harris Academy Bromley		18.7%	6.8%	6.8%	6.8%	25.5%	25.5%	25.5%
627	Harris Academy Beckenham		15.9%	8.0%	8.0%	8.0%	23.9%	23.9%	23.9%
628	Tubbenden Primary School		18.7%	4.6%	4.6%	4.6%	23.3%	23.3%	23.3%
629	St James' RC School		20.9%	4.6%	4.6%	4.6%	23.3%	23.3%	23.3%
631	Harris Primary Academy Orpington		18.0%	5.3%	5.3%	5.3%	23.3%	23.3%	23.3%
632	Crofton Infants School		18.7%	4.6%	4.6%	4.6%	23.3%	23.3%	23.3%
633	Parish Academy		18.3%	5.0%	5.0%	5.0%	23.3%	23.3%	23.3%
634	Raglan Primary		18.8%	4.5%	4.5%	4.5%	23.3%	23.3%	23.3%
635	Alexandra Junior		19.2%	4.1%	4.1%	4.1%	23.3%	23.3%	23.3%
636	Harris Kent House		17.4%	5.9%	5.9%	5.9%	23.3%	23.3%	23.3%
637	Harris Crystal Palace		16.1%	6.2%	6.2%	6.2%	22.3%	22.3%	22.3%
638	Highfield Infants		19.3%	4.0%	4.0%	4.0%	23.3%	23.3%	23.3%
639	Gray's Farm Primary		18.9%	4.4%	4.4%	4.4%	23.3%	23.3%	23.3%
640	Highfield Junior		18.0%	3.3%	3.3%	3.3%	21.3%	21.3%	21.3%
641	Harris Aspire		12.8%	Nil	Nil	Nil	12.8%	12.8%	12.8%
642	Perry Hall Primary		18.8%	4.5%	4.5%	4.5%	23.3%	23.3%	23.3%
643	Farnborough Primary		19.4%	3.9%	3.9%	3.9%	23.3%	23.3%	23.3%
644	Manor Oak Primary		16.6%	6.6%	6.6%	6.6%	23.2%	23.2%	23.2%
645	Alexandra Infants		19.0%	4.4%	4.4%	4.4%	23.4%	23.4%	23.4%
646	St John's CE Primary		19.7%	3.6%	3.6%	3.6%	23.3%	23.3%	23.3%
647	Castlecombe Primary		16.6%	4.5%	4.5%	4.5%	21.1%	21.1%	21.1%
648	St Joseph's RC Primary		18.5%	4.8%	4.8%	4.8%	23.3%	23.3%	23.3%
649	St Philomena's RC Primary		18.6%	4.7%	4.7%	4.7%	23.3%	23.3%	23.3%
650	Scotts Park Primary		17.5%	0.2%	0.2%	0.2%	17.7%	17.7%	17.7%
651	St Peter & St Paul RC Primary		17.0%	6.3%	6.3%	6.3%	23.3%	23.3%	23.3%
652	Keston C of E Primary School		22.4%	3.6%	3.6%	3.6%	26.0%	26.0%	26.0%
653	St Mary's RC Primary		21.2%	4.4%	4.4%	4.4%	25.6%	25.6%	25.6%
654	St Anthony's RC Primary		18.1%	0.1%	0.1%	0.1%	18.2%	18.2%	18.2%
655	La Fontaine Academy		14.8%	1.1%	1.1%	1.1%	15.9%	15.9%	15.9%
656	Bromley Trust Academy		17.7%	1.1%	1.1%	1.1%	18.8%	18.8%	18.8%
657	Leesons Primary		14.5%	8.8%	8.8%	8.8%	23.3%	23.3%	23.3%
658	Harris Shortlands		20.0%	1.9%	1.9%	1.9%	21.9%	21.9%	21.9%
659	St Mary Cray Primary		16.1%	2.2%	2.2%	2.2%	18.3%	18.3%	18.3%
660	St Vincent's RC Primary		22.1%	2.6%	2.6%	2.6%	24.7%	24.7%	24.7%
661	Trinity C of E Primary School		18.3%	5.0%	5.0%	5.0%	23.3%	23.3%	23.3%
662	St Nicholas		20.3%	3.2%	3.2%	3.2%	23.5%	23.5%	23.5%

663	St Mark's CE Primary		19.5%	3.8%	3.8%	3.8%	23.3%	23.3%	23.3%
664	Midfield Primary		16.5%	2.8%	2.8%	2.8%	19.3%	19.3%	19.3%
665	Holy Innocents RC Primary		19.5%	3.8%	3.8%	3.8%	23.3%	23.3%	23.3%
668	Cudham CE Primary		20.1%	3.2%	3.2%	3.2%	23.3%	23.3%	23.3%
669	Oak Lodge Primary		20.0%	3.3%	3.3%	3.3%	23.3%	23.3%	23.3%
670	Wickham Common Primary		19.0%	4.3%	4.3%	4.3%	23.3%	23.3%	23.3%
671	Unicorn Primary		19.2%	4.1%	4.1%	4.1%	23.3%	23.3%	23.3%
672	Marian Vian Primary		20.3%	3.1%	3.1%	3.1%	23.4%	23.4%	23.4%
673	Oaklands Primary		18.2%	5.1%	5.1%	5.1%	23.3%	23.3%	23.3%
674	Mead Road Infants		15.9%	0.2%	0.2%	0.2%	16.1%	16.1%	16.1%
675	Mottingham Primary		18.8%	3.0%	3.0%	3.0%	21.8%	21.8%	21.8%
676	Bromley Beacon Academy		13.7%	Nil	Nil	Nil	13.7%	13.7%	13.7%
677	Harris Primary Academy Beckenham		11.8%	2.6%	2.6%	2.6%	14.4%	14.4%	14.4%
678	Worsley Bridge Primary		18.0%	1.5%	1.5%	1.5%	19.5%	19.5%	19.5%
679	Burnt Ash Primary		16.4%	0.2%	0.2%	0.2%	16.6%	16.6%	16.6%
680	Chelsfield Primary School		20.4%	0.8%	0.8%	0.8%	21.2%	21.2%	21.2%
681	Pratts Bottom Primary School		18.4%	Nil	Nil	Nil	18.4%	18.4%	18.4%
682	Highway Primary		20.6%	0.5%	0.5%	0.5%	21.1%	21.1%	21.1%
683	Darrick Wood Junior School		19.6%	0.3%	0.3%	0.3%	19.9%	19.9%	19.9%
684	Clare House Primary School		19.2%	0.3%	0.3%	0.3%	19.5%	19.5%	19.5%
685	Dorset Road Infant School		19.0%	Nil	Nil	Nil	19.0%	19.0%	19.0%
686	Red Hill Primary School		18.2%	0.1%	0.1%	0.1%	18.3%	18.3%	18.3%
687	St George's Primary School		18.3%	3.9%	3.9%	3.9%	22.2%	22.2%	22.2%
688	Langley Park Primary School		15.7%	0.8%	0.8%	0.8%	16.5%	16.5%	16.5%
689	James Dixon Primary School		14.8%	0.5%	0.5%	0.5%	15.3%	15.3%	15.3%
690	Kemnal Academies Trust		14.1%	15.9%	1.8%	1.8%	15.9%	15.9%	15.9%
691	Kemnal Technology College		17.6%	5.7%	5.7%	5.7%	23.3%	23.3%	23.3%
692	Harris Academy Orpington		19.0%	16.8%	16.8%	16.8%	35.8%	35.8%	35.8%
693	Blenheim Primary School		18.4%	0.5%	0.5%	0.5%	18.9%	18.9%	18.9%
694	Eden Park High School		12.5%	Nil	Nil	Nil	12.5%	12.5%	12.5%
695	Harris Academy Beckenham Green		16.5%	0.3%	0.3%	0.3%	16.8%	16.8%	16.8%
696	Churchfields Primary School		17.9%	0.6%	0.6%	0.6%	18.5%	18.5%	18.5%
697	Spring Partnership Trust		17.2%	6.1%	6.1%	6.1%	23.3%	23.3%	23.3%
698	Glebe School		17.6%	0.6%	0.6%	0.6%	18.2%	18.2%	18.2%

699	Hawes Down Primary School		18.6%	4.7%	4.7%	4.7%	23.3%	23.3%	23.3%
700	Nexus Multi Academy Trust		18.2%	5.1%	5.1%	5.1%	23.3%	23.3%	23.3%
701	St Pauls Cary C of E Primary		19.8%	1.3%	1.3%	1.3%	21.1%	21.1%	21.1%
Admitted Bodies - Transferee									
35	Liberata		21.4%	1.0%	1.0%	1.0%	22.4%	22.4%	22.4%
36	Birkin Cleaning Services		28.2%	Nil	Nil	Nil	28.2%	28.2%	28.2%
38	The Landscape Group		21.6%	Nil	Nil	Nil	21.6%	21.6%	21.6%
39	Certitude		22.3%	0.4%	0.4%	0.4%	22.7%	22.7%	22.7%
40	Amey		22.3%	0.6%	0.6%	0.6%	22.9%	22.9%	22.9%
42	Cushman and Wakefield		21.1%	1.2%	1.2%	1.2%	22.3%	22.3%	22.3%
43	Creative Support		20.9%	Nil	Nil	Nil	20.9%	20.9%	20.9%
44	Mears Care		22.1%	2.0%	2.0%	2.0%	24.1%	24.1%	24.1%
45	BT		17.0%	3.1%	3.1%	3.1%	20.1%	20.1%	20.1%
47	Greenwich Leisure Ltd		21.3%	4.2%	4.2%	4.2%	25.5%	25.5%	25.5%
49	Ecocleen Service Ltd (for Spring Partnership Trust)	3	23.7%	0.3%	0.3%	0.3%	24.0%	24.0%	24.0%
TBA	Footscray Out of School Club (for Gray Farm Primary)	3	23.8%	Nil	Nil	Nil	23.8%	23.8%	23.8%
50	Ridge Crest Cleaning (for Hayes School)	3	23.9%	Nil	Nil	Nil	23.9%	23.9%	23.9%
Admitted Bodies - Other									
6	Clarion Housing (was Affinity Sutton)		0.0%	£72,200	£74,900	£77,600	£72,200	£74,900	£77,600
Post 31 March 2019 Scheduled Bodies - Other									
600	E21st Century Trust		18.7%	0.3%	0.3%	0.3%	19.0%	19.0%	19.0%
702	Bickley Primary School		18.4%	Nil	Nil	Nil	18.5%	18.5%	18.5%
703	Compass Academy Trust		20.2%	0.3%	0.3%	0.3%	20.5%	20.5%	20.5%
704	Langley Park Trust Central		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
705	SOLA MAT Central Team		18.1%	Nil	Nil	Nil	18.1%	18.1%	18.1%
706	LSEC MAT Central Team		15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%

Important notes to the Certificate:
1. The percentages shown are percentage of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS

2. Employers were given the option of whether to pay additional contribution over 2020/23 in respect of the potential additional McCloud costs or any other factors. The above secondary contributions include provision for the estimated effect of the McCloud judgement. Once the final remedy for McCloud is known, the position will be reviewed. Whilst it is possible that the Fund may require additional contributions from employers at that point in time if the McCloud remedy is substantially different from that currently anticipated, based on the Administering Authority's current knowledge and understanding of the likely outcome it believes that requiring such additional contributions is an unlikely outcome. In the event that additional contributions are required, this certificate will then be updated to reflect these changes

Any contribution changes will take effect from a date to be determined by the Administering Authority.

3. These employers were admitted to the Fund prior to 31 March 2019 but admission agreements were not signed until after 31 March 2019.

LONDON BOROUGH OF BROMLEY PENSION FUND
GOVERNANCE POLICY STATEMENT

1. This statement has been published in accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013.

2. It was published after consultation with the other employers in the Fund, namely Bromley & Orpington College, Ravensbourne College, Clarion Housing (formerly Affinity Sutton), Bromley Mytime and Bromley & Lewisham 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 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 Director of Finance. 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 six times a year. Its membership comprises 15 elected councillors, with its political make-up determined according to proportionality rules.

7. The Pensions Committee normally meets five times a year. 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.

8. Neither the General Purposes and Licensing Committee nor the Pensions 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 a large proportion of the Fund's members are the financial responsibility of the Council.

9. In addition to both the General Purposes and Licensing Committee and the Pensions Committee, a Local Pension Board (hereinafter referred to as 'the Board') has been established to meet the requirements of The Local Government Pension Scheme Regulations 2013 (as amended). The role of the Local Pension Board is to "*assist*" administering authorities to secure compliance with the LGPS regulations and other legal and regulatory requirements, and generally to ensure the efficient and effective governance and administration of the LGPS.
The Board is not a Local Authority committee, but has been established by Council. It may only operate within its Terms of Reference. A full copy of the Terms of Reference is available on request and a summary of the key points can be found below:

- The Board must comprise of an equal number of Employer and Member Representatives, with no fewer than two of each;
- Member Representatives are formally appointed by the General Purposes and Licensing Committee. Employer Representatives are formally appointed by full Council on the recommendation of the General Purposes and Licensing Committee;
- The Board must meet officially on an annual basis, further ad hoc meetings may be convened as and when required;
- The Board's role is to oversee and it is not a decision making body with regard to the management of the Pension Fund;
- No independent Chairman will be appointed to the Board. Instead, Employer and Member representatives will rotate the chairing of meetings on an annual basis.

In the event of a vote, Board members have one vote per member. However, it is anticipated that the Board will reach a consensus where possible.

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.	Partly compliant
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.	Partly compliant

* 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 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 a large proportion of the Fund's members are the financial responsibility of the Council. This matter will be kept under review. There are two employer representatives and two member representatives on the Local Pension Board.

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 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.	Fully compliant

Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)
The Local Pension Board membership comprises two employer representatives and two member representatives.

Please use this space if you wish to add anything to explain or expand on the ratings given above:-
The two employer representatives and two member representatives on the Local Pension Board receive all papers for, and can attend Committee meetings. Equal access is given to training and they also have 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. In-house training sessions for Councillors were held in January 2016, January 2017 and November 2018. Further ongoing training will be arranged.

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 the two employer representatives and two member representatives on the Local Pensions Board receive all papers for, and can attend all Pensions Committee meetings.

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 six times per year plus any special meetings.
The Pensions 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 fall 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.

The accounts have to be accompanied by a statement of responsibilities signed by the Director of Finance and by the independent auditor's report. These can be found on pages 45 to 46 The Fund Account and Net Assets Statement are on pages 47 and 48, supporting notes are on pages 49 to 70 and details of the Pension Fund Revenue Account are on page 71.

During 2022/23, the total net assets of the Fund decreased from £1,339.0m to £1,271.1m. The Pension Fund Revenue Account showed an overall surplus of £24.8m in 2022/23 (excluding changes in market value), and total Fund membership numbers increased in the year from 19,182 to 20,067.

APPROVAL OF THE PENSION FUND STATEMENT OF ACCOUNTS

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STATEMENT OF RESPONSIBILITIES

AS PENSION FUND ACCOUNTS NEED SEPARATE APPROVAL BY GP&L THIS YEAR THIS PAGE NEEDS TO BE PRESENTED WITH THE PENSION FUND ACCOUNTS SO DELETED FROM ANNUAL REPORT

AUDITOR’S REPORT

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PENSION FUND ACCOUNT

2021/22 £000	2021/22 £000		Note	2022/23 £000	2022/23 £000
		Dealings with members and employers			
		Contributions and similar payments			
8,171		Contributions - from members	**5**	7,633	
26,779		- from employers	**5**	26,584	
4,567		Transfers in from other pension funds (individual)		7,891	
	39,517				42,108
		Benefits			
(30,053)		Pensions		(31,495)	
(4,079)		Lump sum benefits - retirement	**6**	(4,831)	
(345)		- death	**6**	(431)	
	(34,477)				(36,757)
		Payments to and on account of leavers			
(271)		Refunds of contributions		(142)	
0		Transfers out (group)		0	
(2,541)		Transfers out (individual)		(3,953)	
	(2,812)				(4,095)
	2,228	**Net (withdrawal) / addition from dealings with Fund members**			1,256
	(6,792)	**Management expenses**	**7**		(4,799)
	(4,564)	**Net (withdrawal) / addition including fund management expenses**			(3,543)
		Returns on investments			
25,658		Investment income	**9**	20,022	
(17,926)		Profit and losses on the disposal of investments and changes in the value of investments	**10**	(84,424)	
	7,732	Net return on investments			(64,402)
	3,168	**Net increase/(decrease) in the net assets available for benefits during the year**			(67,945)
	1,335,889	Opening net assets of the scheme			1,339,056
	1,339,056	**Closing net assets of the scheme**			**1,271,111**

NET ASSETS STATEMENT

31st March 2022				31st March 2023	
£000	£000			£000	£000
	150	London Collective Investment Vehicle (CIV)	**10**		150
		Investment assets	**10**		
43,337		Equities - UK (quoted)		42,178	
807,063		- overseas (quoted)		736,850	
		Pooled investments			
0		- UK unitised insurance policies		0	
376,025		- UK open ended investment companies		381,234	
		Pooled property investments			
77,968		- UK open ended investment companies		79,374	
21,372		Cash deposits held by investment managers		25,662	
2,550		Investment income due		2,373	
		Other investment balances - sales		-	
-		- purchases		-	
	1,328,315	Total investment assets			1,267,671
	1,328,465	Total net investments	**10**		1,267,821
1,321		Long-term debtors	**14**	1,027	
		Current assets and liabilities			
6,096		Short term lending		0	
4,156		Current assets - debtors	**13**	3,271	
	11,572				4,298
-		Short term borrowing		-	
(981)		Current liabilities - creditors	**13**	(1,008)	
	(981)				(1,008)
	1,339,056	**Net assets of the fund available to fund benefits at the end of the reporting period**			**1,271,111**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Actuarial present value of promised retirement benefits is disclosed in Note 16.

1 *Description of Fund*

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Bromley Pension Fund Annual Report 2022/23 and the underlying statutory powers underpinning the scheme, which are listed below.

(a) General
The London Borough of Bromley Pension Fund is part of the LGPS and is administered by the London Borough of Bromley. It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and of other organisations with scheduled or admitted body status within the Fund. Teachers are not included as they are members of the Teachers' Pension Scheme, administered by the Department for Education. Former NHS public health health staff who transferred to Bromley in April 2013 are also not included as they remain members of the NHS Pension Fund, administered by the Department for Health.

The Fund is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following legislation:

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016.
- The LGPS Regulations 2013 (as amended).

The Fund is overseen by the London Borough of Bromley Pensions Investment Sub-Committee.

(b) Membership
Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal pension arrangements outside the scheme.

Organisations participating in the Fund include:
- Administering Authority: The London Borough of Bromley
- Scheduled Bodies: Academies, Colleges and Foundation Schools whose staff are automatically entitled to be members of the Fund
- Admitted Bodies: Other organisations that participate in the Fund under admission agreements with the Fund. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

The following table shows the total membership of the Fund as at 31st March 2023 and 2022.

	2023	2022
Number of employers	140	139
Number of employees in scheme		
London Borough of Bromley	1,992	1,954
Other employers	4,517	4,431
	6,509	6,385
Number of pensioners		
London Borough of Bromley	5,111	4,917
Other employers	908	873
	6,019	5,790
Deferred pensioners		
London Borough of Bromley	4,098	3,992
Other employers	2,345	2,283
	6,443	6,275
Total number of members in pension scheme	**18,971**	**18,450**

1 Description of Fund continued

(c) Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active scheme members in accordance with the LGPS Regulations 2013 and, in 2022/23, ranged from 2.75% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay. In 2022/23, total employer rates ranged from 12.5% to 35.8% of pensionable pay.

(d) Benefits
Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1st April 2008:
- Pension: each year worked is worth 1/80 x final pensionable salary.
- Lump sum : automatic lump sum of 3/80 for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31st March 2008:
- Pension: each year worked is worth 1/60 x final pensionable salary.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career average scheme and pension benefits accrued after 31st March 2014 are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to 1/49 of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the scheme normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later. There is a range of additional benefits for members of the scheme including, but not limited to, early retirement, ill health retirement and death benefits.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31st March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector, as well as guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 16.

The accounts have been prepared on a going concern basis. The London Borough of Bromley Pension Fund is an open scheme with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general funding implications of external events. The Fund was 110% funded at the 31 March 2019 valuation and funding had improved to 115% funded at the 31 March 2022 valuation.

Cash flow in the Fund is generally provided by the ongoing excess of contributions over payments. Additionally, a portion of investment income generated by the Fund is also retained as cash to provide additional liquidity. The Fund held cash of £25.6 million at the Balance Sheet date, equivalent to 2%

2 Basis of Preparation continued

of the Fund Assets. In addition, the Fund held £1.25 billion in Level 1 and Level 2 investment assets which could be realised in 3 months if required.

The overall cash flow position is subject to periodic monitoring and review to ensure that there is sufficient liquidity in Fund assets to meet any commitments. The Fund can disinvest to ensure that it is able to remain liquid for a period of at least 12 months from the date the financial statements are authorised for issue. As such, the accounts have been prepared on a going concern basis.

3 Summary of Significant Accounting Policies

(a) Contribution income
Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid is classified as a current financial asset. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of an agreement, on a receipts basis.

(b) Transfers to and from other schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

(c) Investment Income

(i) Interest income
Interest income is recognised in the Fund account as it accrues. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as "current assets".

(iii) Distributions from pooled funds
Distributions from distributing share class pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. For accumulating share classes, the change in market value also includes income, net of withholding tax, which is re-invested in the fund.

(iv) Movement in the net market value of investments
The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

(d) Benefits payable
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.

(e) Taxation
The Fund is a registered public service scheme under the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

(f) Management expenses
The fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)", as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as

3 Summary of Significant Accounting Policies continued

(f) Management expenses continued

expenses to the fund.
All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 8 and grossed up to increase the change in value of investments. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

(g) Investment management expenses
All investment management expenses are accounted for on an accruals basis and investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on a percentage of the total market value of investments under management and therefore increase or decrease as the total value of investments changes.

(h) Financial assets
Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.
The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS9 (see Note 11).

(i) Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

(j) Cash and cash equivalents
Cash comprises cash investments placed by the Fund managers and cash held internally by the Fund. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

(k) Financial liabilities
The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to it. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

(l) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.
As is permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see Note 16). A summary of the results of the last full actuarial valuation is shown in Note 15.

(m) Additional voluntary contributions (AVCs)
The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 17.

(n) Contingent Assets and Liabilities
A contingent asset or liability arises where an event has taken place giving rise to a possible asset or liability whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

3 *Summary of Significant Accounting Policies continued*

(o) Events After the Reporting Period End

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Pension Fund accounts and authorised for issue. Two types of events can be identified:

-those that provide evidence of conditions that existed at the end of the reporting period – the accounts are ad are adjusted to reflect such events

-those that are indicative of conditions that arose after the reporting period – the accounts are not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made of the nature of the events and their estimated financial effect.

(p) Basis for Valuation

Investments are shown in the accounts at market value, which has been determined as follows:

Level 1 - Baillie Gifford and MFS equities
The majority of listed investments are stated at closing bid price or where not available, the last traded price as at 31 March 2023.

Level 2 - Fidelity and Schroders fixed income, pooled property and multi asset funds (when not subject to a material uncertainty clause)
Closing bid price where bid and offer prices are published or closing single price where single price is published

Level 3 - Fidelity pooled property assets subject to a material uncertainty clause
Market value as published in the audited chart of accounts.

4 *Critical Judgements in Applying Accounting Policies, Assumptions on the Future and Other Major Sources of Estimation Uncertainty*

The Pension Fund liability is calculated every three years by the scheme actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 15. The assumptions were determined after taking into account historical experience, current trends and other factors. This estimate is subject to significant variations based on changes to the underlying assumptions. Consequently, actual results may be materially different from estimates.

5 *Contributions receivable*

	2021/22 £000	2022/23 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley - normal	9,730	9,552
- augmentations	38	38
- deficit funding	75	-
Scheduled bodies - Foundation Schools	151	157
	9,994	9,747
Other		
Scheduled bodies - normal - academies	13,015	12,677
- normal - colleges	775	703
Admitted bodies - normal	2,517	2,979
- deficit funding	478	478
	26,779	26,584
Member Contributions		
L.B. Bromley part of Fund		
L.B. Bromley	3,726	3,596
Scheduled bodies - Foundation Schools	57	57
	3,783	3,653
Other		
Scheduled bodies - academies	3,665	3,316
- colleges	410	342
Admitted bodies	312	322
	8,170	7,633

Details of the scheduled and admission bodies are included in Note 1 (b).

6 *Benefits Payable*

	2021/22	2022/23
Pensions	£000	£000
L.B. Bromley part of Fund	16,000	16,768
Scheduled bodies - Foundation Schools	12,000	12,576
Admitted bodies	2,053	2,152
	30,053	31,496
Lump Sum Benefits - retirement		
L.B. Bromley part of Fund	2,641	2,850
Scheduled bodies - Foundation Schools	1,004	1,082
Admitted bodies	434	468
	4,079	4,400
Lump Sum Benefits - death		
L.B. Bromley part of Fund	325	406
Scheduled bodies - Foundation Schools	20	25
Admitted bodies	-	-
	345	431

7 *Management Expenses*

	2021/22	2022/23
	£000	£000
Administrative costs	1028	1034
London CIV implementation & service chg	110	110
External audit costs	21	21
Investment management expenses	5,443	5,028
Oversight and governance costs	190	286
	6,792	6,479

8 *Investment Management Expenses*

	2021/22	2022/23
	£000	£000
Management fees	5,186	4,800
Custody fees	149	160
Transaction costs	108	68
	5,443	5,028

9 *Investment Income*

	2021/22	2022/23
	£000	£000
Income from equities	13,282	13,576
Pooled property investments	2669	4,352
Pooled investments	9834	9,060
Interest on cash deposits	-14	148
Interest on long term debtor	-	-
	25,771	27,136

10 *Investments*

Following a review of the Fund's investment strategy in 2021, to help manage the projected cashflow position of the Fund, Fidelity Bonds were changed from re-investing to income distributing.
The managers as at 31st March 2023 were as follows:

Global equities: Baillie Gifford and MFS.
Fixed income: Baillie Gifford and Fidelity.
Multi-Asset Income: Fidelity and Schroders.
Pooled Property: Fidelity and Morgan Stanley

10 *Investments continued*

In addition, the Fund has £150k of unlisted shares in the London LGPS CIV Ltd (London CIV), which was set up to manage/pool the investments of LGPS funds across London.

The bid value of the Fund as at 31st March 2022 and 2023 was divided between the Fund managers as follows:

	31st March 2022		31st March 2023	
	£000	%	£000	%
Baillie Gifford - global equities	527,722	40.17%	437,538	35.08%
- fixed income	0	0.00%	0	0.00%
Fidelity - fixed income	142,345	10.84%	142,095	11.39%
- multi-asset income	125,544	9.56%	124,341	9.97%
- pooled property	77,968	5.94%	65,144	5.22%
MFS - global equities	331,773	25.26%	348,988	27.98%
MS Northaven - US Property	0	0.00%	14,230	1.14%
Schroders - multi-asset income	108,149	8.23%	114,811	9.20%
London CIV	150	0.01%	150	0.01%
	1,313,651	100.00%	1,247,297	100.01%

The carrying amounts of financial assets held by Fund managers are held as fair value through profit and loss, with the exception of the London CIV investment which is held at cost.
There is no impact from the adoption of IFRS 9 Financial Instruments.

Pooled investments shown in the Net Assets Statement include the following:

	31st March 2022	31st March 2023
	£000	£000
Multi-Asset Income Fund (2)	233,693	239,152
Property Fund (1)	77,968	65,144
Global Equity Fund (0)	0	-
Sterling Bond Funds (1)	142,337	142,087
	453,998	446,383

10 *Investments continued*

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

	Value at 31st March 2021	Purchases	Sales	Change in value	Value at 31st March 2022
	£000	£000	£000	£000	£000
Equities	876,951	156,963	(173,522)	(9,992)	850,400
Pooled investments	439,167	89,182	-	(74,351)	453,998
	1,316,118	246,145	(173,522)	(84,343)	1,304,398
Cash deposits	13,414			65,977	21,367
Amounts receivable for sales	-				-
Investment income due	2,106				2,550
Amounts payable for purchases	-				-
Net investment assets	1,331,637			(18,365)	1,328,315

	Value at 31st March 2022	Purchases	Sales	Change in value	Value at 31st March 2023
	£000	£000	£000	£000	£000
Equities	850,400	121,946	(197,391)	4,074	779,028
Pooled investments	453,998	50,000	-	(43,385)	460,613
	1,304,398	171,946	(197,391)	(39,312)	1,239,641
Cash deposits	21,367			(45,112)	25,657
Amounts receivable for sales	-				-
Investment income due	2,550				2,373
Amounts payable for purchases	-				-
Net investment assets	1,328,315			(84,424)	1,267,671

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including gains and losses realised on sales of investments and unrealised changes in market value. All gains and losses recognised arose from financial instruments valued at fair value through profit and loss.

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp duty and other fees, are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year totalled £69k (£93k in 2021/22). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

The Code requires the Council to disclose any single investments exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. Details are shown below.

	31st March 2022		**31st March 2023**	
	£000	% of total	£000	% of total
Baillie Gifford				
Fidelity				
- Institutional Aggregate Bond Fund	142,337	10.63	142,087	11.18
- Diversified Income Fund	125,544	9.38	124,341	9.78
- UK Real Estate Fund	77,968	5.82	65,144	5.12
Schroders - Global Multi Asset Income	108,149	8.08	114,811	9.03

11 *Fair Value Hierarchy*

The valuation of investment assets has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities and unit trusts).
Listed investments are shown at bid prices. The bid price is based on the market quotation of the relevant stock exchange. Valuation of the Fund's equities falls into this category.

Level 2 - where market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
The valuation of the Fund's pooled investments fall into this category.

Level 3 - where at least one input that could have significant effect on the instrument's valuation is not based on observable market data. These types of valuation are common to the valuation of alternative investments. The investment in pooled property and the London CIV falls into this category.

The following table provides an analysis of the investment assets of the Fund grouped into the level at which fair value is observable.

Determination of the fair value of assets

All investment assets are held at fair value. The determination of the fair value can be complex depending on the investment and the complexity of measurement can be represented by the fair value hierarchy. The fair value hierarchy ranks fair values at levels between 1 and 3.

	As at 31st March 2023			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Baillie Gifford				
- Global Equities	430,875			
Fidelity				
-fixed income		142,087		
-multi-asset income		124,341		
-pooled property		142,095		
Schroders				
- Multi Asset Income		114,806		
MFS				
- Global equities	348,153			
London CIV			150	
Cash deposits held by Investment Managers	25,662			
Investment income due	2,373			
	807,063	523,329	150	1,330,542

11 Fair Value Hierarchy continued

	As at 31st March 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Baillie Gifford				
- Global Equities	527,722			
- Fixed Income	-			
Fidelity				
-fixed income		142,345		
-multi-asset income		125,544		
-pooled property		77,968		
Schroders				
- Multi Asset Income		108,149		
MFS				
- Global equities	331,773			
London CIV			150	
Cash deposits	21,372			
Investment income due	2,550			
	883,417	454,006	150	1,337,573

The valuation basis for each category of investment asset (Level 1, Level 2 & Level 3) is set out below:

12 Classification of Financial Instruments

Category of Investment Asset	Basis of Valuation	Observable & Unobservable Inputs	Key Sensitivities Affecting the
Level 1			
Global equities	The published bid market price on the final day of the accounting period	Not required	Not required
Cash deposits held by Investment Managers	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Investment income due	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Level 2			
Pooled property funds and hedge funds where regular trading takes place	Closing bid price where bid and offer prices are published. Closing single prices where single price is published.	Not required	Not required
Level 3			
London CIV	Regulatory capital payment for pooling membership	Valued at book cost	Not required
Pooled property	Pooled property assets subject to a material uncertainty clause are valued at market value as published in the audited chart of accounts.	Valued by investment managers on a fair value basis each year	Not required

		2021/22				2022/23
Fair value through profit and loss	***Financial assets at amortised cost***	***Financial liabilities at amortised cost***		***Fair value through profit and loss***	***Financial assets at amortised cost***	***Financial liabilities at amortised cost***
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			<u>Financial Assets</u>			
376,025			Pooled Investm	381,234		
850,400			Equities	779,028		
-			Fixed income	-		
77,968			Pooled propert	79,374		
21,372			Cash deposits h	25,662		
2,550			Investment inc	2,373		
150			London Collec	150		
0			Other investme	-		
	2,214		Current assets - Debtor		1,597	
	6,096		Short term lending		0	
	506		Long term debtor		651	
1,328,465	**8,816**		**Total Financia**	**1,267,821**	**2,248**	
			<u>Financial Liabilities</u>			
		(981)	Current assets - Liabilities			(1,008)
		(981)	**Total Financial Liabilities**			**(1,008)**
1,328,465	**8,816**	**(981)**	**Net Financial**	**1,267,821**	**2,248**	**(1,008)**

13 *Current assets and liabilities*

Current assets and liabilities are held respectively on the Balance Sheet as loans and receivables and financial liabilities at amortised cost.

	2021/22	**2022/23**
Short term debtors	£000	£000
Contributions due from employers and employees	1,941	1,902
Dividend income due	2,213	1,594
Other	2	3
	4,156	3,499
Current liabilities		
Fund management fees	953	863
Transfers out (group)	0	0
Other	27	145
	980	1,008

14 *Long term debtors*

	2021/22	**2022/23**
Long term debtors	£000	£000
Repayment of Exit Agreement	815	376
Reimbursement of lifetime tax allowances	506	651
	1,321	1,027

15 *Funding Arrangements*

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2013.

The valuation of the Fund (as at 31st March 2016) calculated a solvency funding level of 91% and set a common employer contribution rate of 20.3% and total annual lump sum past-deficit contributions of £2.6m from 1st April 2017 until 31st March 2020 with the aim of recovering that deficit over 12 years.

The most recent full valuation of the Fund (as at 31st March 2019) was carried out by the actuary during 2019/20. This calculated a new solvency funding level of 110%. For those employers where a shortfall exists, additional contributions will be required to correct this shortfall over an average recovery period of 12 years.

From 1st April 2020 until March 2023 the actuary has certified a Primary Contribution rate (i.e. the average contribution towards future service benefits across all employers) of 17.6% of pay. Secondary rate contributions of £0.1m plus 2.4% of pay per annum (totalling approximately £2.9m per annum on average across all employers) will also be payable to recover any shortfalls identified. The Secondary Rate payable also includes contributions towards the potential impact of the McCloud judgement as agreed with employers.

For any schools adopting academy status from 1 April 2020, a contribution rate calculation will be carried out individually by the actuary.

The following assumptions were employed in the 2016 and 2019 valuations.

	2016	**2019**
Economic assumptions	**% p.a.**	**% p.a.**
Increases in earnings - long term	3.7	3.9
- short term (3 years)	n/a	n/a
General Inflation	2.2	2.4
Increases in pensions	2.2	2.4
Investment return - Overall discount rate	4.2	3.65
Mortality assumptions	**Years**	**Years**
Life expectancy - male aged 65 now	23.2	22.7
- at 65 for male aged 45 now	25.8	24.6
- female aged 65 now	25.9	25.1
- at 65 for female aged 45 now	28.2	27.1

Commutation assumption - It has been assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement. This is broadly equivalent to the assumption at the 2016 actuarial valuation.

16 *Actuarial Present Value of Promised Retirement Benefits*

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 44 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund.
The Fund is also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £1,451m as at 31st March 2022

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

The key feature of the proposed remedy is to extend the final salary "underpin" to a wider group of members for service up to 31 March 2023. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014. In preparing the 2019 actuarial valuation of the London Borough of Bromley Pension Fund, the Fund's actuary assessed, at the overall Fund level that the potential cost of the judgment could be an increase in past service liabilities of broadly £7 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum for the period to 31 March 2022. As part of the valuation, employers in the Fund were given the option to pay additional contributions to meet these potential costs.

A similar allowance of the potential costs of the Judgment has been incorporated into the IAS26 figures above based on the calculations undertaken by the Actuary as part of the 2019 valuation i.e. namely an increase of c£8m in liabilities as at 31 March 2019 (assessed on the IAS26 assumptions).

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The demographic assumptions used in the IAS 26 report were the same as those used for the 2019 full valuation (see Note 15) and the following financial assumptions were used:

	2022	**2023**
	% p.a.	**% p.a.**
Increases in earnings	4.9	NA
Increases in pensions	3.5	NA
Inflation	3.4	NA
Investment return - Overall discount rate	2.8	NA

17 *Additional Voluntary Contributions*

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2019/20 and 2020/21 and the total value of AVC Funds as at 31st March 2020 and 2021 is shown below.

	2021/22	**2022/23**
AVC contributions	**£000**	**£000**
- to Aviva	12	27
Total contributions	**12**	**27**

	2021/22	**2022/23**
Market Value	**£000**	**£000**
- Aviva	651	553
- Utmost Life & Pensions	61	56
Total Market Value	**712**	**609**

18 *Related Parties*

One member of the Pensions Investment Committee during the year was in receipt of a pension, and one is a deferred pensioner.
A special responsibility allowance of £2,064 was paid to the Chairman of the Committee in 2022/23 (£2,064 in 2021/22. No other payments were made for meeting attendance.

The Council incurred costs of £1.548m (£1.246min 2021/22) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund. Their remuneration is set out below.

	2021/22	**2022/23**
	£000	**£000**
Short-term benefits	15	16
Post-employment benefits	3	4
	18	**20**

19 *Nature and extent of risks arising from financial instruments*

The Code of Practice on Local Authority Accounting in the United Kingdom 22/23 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in this note on the next two pages.

<u>Risk and Risk Management</u>
The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, price risk, currency risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet its forecast cash-flows. The Authority manages these investment risks as part of its overall Pension Fund risk management programme.

19 Nature and extent of risks arising from financial instruments continued

Market Risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.
In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance.
Further details of current policy are included in the Fund’s Statement of Investment Principles.
To mitigate market risk, the Fund’s investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk
Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.
The Fund’s investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.
The Fund’s investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund’s investment strategy.

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same.

Other price risk - Sensitivity Analysis

Asset type	Value as at 31.03.2023	Potential market movements (+/-)	Value on increase	Value on decrease
	£000		£000	£000
UK bonds	142,486	-13.66%	123,023	161,950
Overseas bonds	(399)	-13.66%	(344)	(453)
UK quoted equities	42,450	-1.18%	41,949	42,951
UK unquoted equities	150	0	150	150
Overseas equities	731,558	-1.18%	722,925	740,190
Pooled investments - OIECs	256,899	4.50%	268,460	245,339
Pooled property investments - OIEC	65,144	14.47%	74,571	55,718
Overseas property investments	14,230	14.47%	16,289	12,171
Total	1,252,517		1,247,021	1,258,014

19 Nature and extent of risks arising from financial instruments continued

Asset type	Value as at 31.03.2022	Potential market movements (+/-)	Value on increase	Value on decrease
	£000		£000	£000
UK bonds	142,524	-5.24%	135,056	149,992
Overseas bonds	(186,983)	-5.24%	(177,185)	(196,781)
UK quoted equities	43,341	12.66%	48,828	37,854
UK unquoted equities	150	0	150	150
Overseas equities	807,094	12.66%	909,272	704,916
Pooled investments - OIECs	233,688	4.50%	244,204	223,172
Pooled property investments - OIECs	77,968	23.14%	96,010	59,926
Overseas property investments	-	0.00	0	0
Total	1,117,783	-	1,256,335	979,230

<u>Currency Risk</u>

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the Fund, i.e. £Sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term, currency rates reflect value in a particular territory and, to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold.

The Fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and the Pensions Committee every quarter.

The Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 6%. A 6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

19 Nature and extent of risks arising from financial instruments continued

Currency Risk - Sensitivity Analysis

Assets exposed to currency risk	Asset value as at 31.03.2023	Potential market movement	Value on increase	Value on decrease
	£000		£000	£000
Overseas bonds	(399)	(24)	(423)	(376)
Overseas equities	731,558	43,893	775,451	687,664
Cash and cash equivalents	5	0	5	5
Total change in assets available to pay benefits	731,164	43,869	775,034	687,294

Assets exposed to currency risk	Asset value as at 31.03.2022	Potential market movement	Value on increase	Value on decrease
	£000		£000	£000
Overseas bonds	(186,983)	(18,698)	(205,681)	(168,285)
Overseas equities	807,094	80,709	887,803	726,385
Cash and cash equivalents	2,316	232	2,547	2,084
Total change in assets available to pay benefits	622,427	62,243	684,670	560,183

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one bank or building society. In addition, the Council may invest in AAA-rated money market funds to provide diversification.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment.

The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that around 95% of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

The Fund has illiquid assets through the Fidelity Property Fund, which had a value of £65.1m as at 31st March 2023, representing 3.5% of investment assets (£77.9m (5.8%) as at 31st March 2022).

19 *Nature and extent of risks arising from financial instruments continued*

Interest rate risk
The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns.
The Fund reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

Interest rate - risk sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and visa versa. Changes in interestrates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

Exposure to interest rate risk	Asset values as at 31.03.2023	Impact of 1% decrease	Impact of 1% increase
	£000	£000	£000
Cash and cash equivalents	25,662	25,406	25,919
Fixed interest bonds	142,087	140,666	143,508
Total	167,749	166,072	169,427

Exposure to interest rate risk	Asset values as at 31.03.2022	Impact of 1% decrease	Impact of 1% increase
	£000	£000	£000
Cash and cash equivalents	21,372	21,158	21,585
Fixed interest bonds	(44,458)	(44,014)	(44,903)
Total	(23,087)	(22,856)	(23,318)

20 *Contingent Assets*

The Council is party to a joint venture (JV) arrangement, More Homes Bromley LLP. As part of the overall arrangement the Council has resolved that, on receipt of the property stock at the conclusion of the agreement, the properties will subsequently be 'gifted' to the Pension Fund with a view to reducing current pension contributions. The assets to be 'gifted' at the end of the arrangement will not exceed the value of the Council's Pension Fund deficit at that time. The eventual consideration may differ from the actuarial assumptions used due to the long term nature of the arrangement and the application of different professional standards. Whilst there is a a number of caveats and there is not sufficient constructive obligation to transfer the whole or part of the property stock this is subject to certainty for it to be recognised by the Pension Fund as an asset at this stage.

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Draft Outturn 2021/22 £'000	Estimate 2022/23 £'000	Draft Actuals for 2022/23 £'000
INCOME			
Employee Contributions	8,103	7,559	7,633
Employer Contributions			
- Normal	26,779	23,380	26,584
- Past-deficit	67	-	478
Transfer Values Receivable	4,566	3,192	7,891
Investment Income			
- Re-invested	11,057	13,028	13,673
- Distributed to Fund	14,169	13,032	15,409
Total Income	64,741	60,191	71,668
EXPENDITURE			
Pensions	30,053	30,207	31,495
Lump Sums	4,425	5,121	4,831
Transfer Values Paid	2,541	5,603	3,953
Administration			
- Manager fees	5,185	4,181	4,800
- Other (incl. pooling costs)	1,605	672	1,606
Refund of Contributions	271	71	142
Total Expenditure	44,080	45,855	46,827
Surplus/Deficit (-)	20,661	14,336	24,841

MEMBERSHIP	31/03/2022	31/03/2023
Employees	6,385	6,509
Pensioners	5,790	6,019
Deferred Pensioners	6,275	6,443
	18,450	18,971

*Distributed to Fund	2021/22	2022/23
Fidelity MAI	5,820	5,338
Fidelity Property	2,669	4,375
Fidelity Bonds, BG	2,013	2,161
Schroders MAI	3,667	3,535
	14,169	15,409

LONDON BOROUGH OF BROMLEY PENSION FUND
FUNDING STRATEGY STATEMENT (FSS)

This Funding Strategy Statement has been prepared by London Borough of Bromley (the Administering Authority) to set out the funding strategy for the London Borough of Bromley Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1. EXECUTIVE SUMMARY

Ensuring that the London Borough of Bromley Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (London Borough of Bromley). The Funding Strategy adopted by the London Borough of Bromley Pension Fund will therefore be critical in achieving this. The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the London Borough of Bromley Pension Fund.

THE FUND'S OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next to meet the primary objective. This in turn means that contributions will be subject to change from one valuation to another.

The objective is considered on an employer specific level where appropriate, including when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would normally lead to volatility of contribution rates at future valuations if these margins were not included.

This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.
When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

The solvency level of the Fund is 110% at the valuation date (i.e. the assets of the Fund are more than the liabilities). At an individual employer level, there will be instances where the assets allocated are lower than the liabilities and therefore a shortfall will exist. In such cases, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

For those employers where a shortfall exists, deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) or as a % of pay, as deemed appropriate by the Administering Authority, and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish.

Subject to affordability considerations (and any changes emerging in the Primary Rate) a key principle will be to maintain contributions at least at the expected monetary levels from the preceding valuation. Full details are set out in this FSS.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed.

The target recovery period for the Fund as a whole is 12 years at this valuation which is the same as the corresponding target for the 2016 valuation. Individual employer recovery periods will be considered depending on their own circumstances. The average recovery period emerging from this valuation is 12 years.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary.

Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation, when considering the appropriate contribution provision, we have assumed that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1st April 2012. The relevant estimated costs have been quantified and notified to employers on this basis but also highlighting that the final costs may be significantly different. All employers in the Fund as at 31st March 2019 have chosen to include these estimated costs over 2020/23 in their certified contributions.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in Appendix A and Appendix B to this FSS.

When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS).

The assumption for long term expected future real returns has reduced since the last valuation. This is due to a combination of a fall in the total expectation of the return on the Fund's assets and the higher expected level of inflation in the long term. Taking this into account, and the improvements in funding level, the discount rate has been adjusted from the previous valuation so that, in the Actuary's opinion, when allowing for the resultant employer contributions emerging from the valuation, the Fund can still be reasonably be expected to meet the Solvency and Long Term Cost Efficiency objectives.

The Fund Actuary is proposing that the real discount rate assumption for determining the baseline past service liabilities should be 1.25% per annum, and for determining the future service ("primary") contribution rate 2.25% per annum. This compares to 2% per annum and 2.65% per annum respectively at the last valuation.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant. For those employers terminating participation in the Fund, a more prudent mortality assumption will apply (see further comments below).

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share may be restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

Following the valuation, where appropriate, the Fund may assess (and monitor if required) employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in Appendix D to this statement.

Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in Appendix C. Examples of new employers include:

- Mandatory Scheme Employers - for example new academies (see later section);
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

The key objective for the Fund is to only admit employers where the risk to the Fund is mitigated as far as possible. The different employers pose different risks to the Fund.

Certain employers will be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to government bond yields and a more prudent longevity assumption will be used for assessing liabilities on termination. Any resulting exit payments due should normally be paid immediately, although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 6 months of completion of the cessation assessment by the Actuary. The Administering Authority may seek to modify this approach on a case by case basis if circumstances warrant it (for example, it may work with the outsourcing scheme employer to adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and other Fund employers).

This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

Where there is a guarantor who would subsume the assets and liabilities of the outgoing employer, the default policy is that any deficit or surplus would be subsumed into the guarantor and taken into account at the following valuation. In some instances, an exit debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No exit credit would be payable in these circumstances.

In line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Administering Authority will provide details of the information required to make their determination for each case when the need arises.

The Administering Authority can modify this approach on a case by case basis if circumstances warrant it and the parties make representation. For example, if the parties make representation it may be appropriate to adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and the outsourcing scheme employer.

In the event of parties unreasonably seeking to crystallise an exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities the basis of assessment on termination will assume the liabilities are orphaned and thus the minimum risk basis will apply.

2. INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) (“the 2013 Regulations”) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- Following consultation with such persons as it considers appropriate to the London Borough of Bromley Pension Fund (the “Fund”), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

PRIMARY RATE

The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for each employer is specified in the rates and adjustments certificate.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1st April in the year following the actuarial valuation.

The Secondary rate for each employer is specified in the rates and adjustments certificate.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

3. PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

4. AIMS AND PURPOSE OF THE FUND

The aims of the fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes;
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

The purpose of the fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, exit credits, charges and expenses as defined in the Regulations.

5. RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and in particular the Pensions Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key parties to the FSS:

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- undertake such administration duties as are required in accordance with the Pension Administration Strategy (once implemented)
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc.
- provide advice and valuations on the termination of admission agreements including in relation to exit credit payments
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

6. SOLVENCY FUNDING TARGET

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the LGPS so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31st March 2020 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits (where appropriate).
    -
    - the **Secondary rate**: a schedule of lump sum monetary amounts or contribution rates expressed as a percentage of pensionable payroll over 2020/23 in respect of an employer's surplus or deficit

For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from 1 April 2023 based on the results of the 2022 actuarial valuation.

DEFICIT RECOVERY PLAN

Where deficits remain, as a general rule, a maximum recovery period of 12 years will be adopted. The Fund does not believe, where an employer is in deficit, it to be appropriate for contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable on deficit contributions) unless there is a specific reason to do so.

By number, academies form the largest group of employers in the Fund. For those academies in deficit, the target total contribution rate for each academy will be broadly set to be same as the target adopted at the 2016 valuation.

Recovery periods will be adjusted on an individual basis to achieve this, subject to a maximum recovery period of 12 years being applied. Where the maximum recovery period does apply, higher contributions will be payable by those individual academies

For other employers, as a general rule, subject to the consideration of affordability and stabilisation of contribution rates, the deficit recovery period will remain the same for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan over a shorter period if they so wish. Taking into account affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B).**

For those employers assessed to be in surplus at the valuation date, the surplus will be either retained to act as a margin against adverse experience in order to the objective of long-term cost efficiency. For those employers assessed to be in surplus with a limited time period of participation in the Fund, the surplus may be removed over a maximum recovery period of 12 years, subject to the agreement of the Administering Authority (see Deficit Recovery Plan in **Appendix B).**

In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole (see further comment below). Any employer affected will be notified separately.

EMPLOYERS EXITING THE FUND

Employers must notify the Fund as soon as they become aware of their planned exit date. Where appropriate, or at the request of the employer, the Fund will review the employer's certified contribution in order to target a fully funded position at exit. The costs of the contribution rate review will be payable by the employer or the outsourcing scheme employer (where necessary).

On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances:

The policy for employers who have a guarantor participating in the Fund:

The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor as a default policy

The interested parties will need to consider any separate agreements that have been put in place between the exiting employer and the guarantor. In some instances an exit credit or debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make formal representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.
- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the cessation assessment by the Actuary.
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations (as noted above). For the avoidance of doubt, where the outgoing employer is not responsible for any costs under a risk sharing agreement then no exit credit will be paid as per the Regulations, provided that the Fund is aware of the provisions of the risk sharing agreement in any representation made.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations. However, if a representation is made to the Administering Authority then a reasonable estimate for the potential cost of McCloud will need to be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

In the event of parties unreasonably seeking to crystalise the exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities then the basis of assessment on termination will assume the liabilities are orphaned and the minimum risk basis of termination will apply.

The policy for employers who do not have a guarantor participating in the Fund:
In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation assessment by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. As part of any termination assessment, a reasonable estimate for the potential cost of McCloud will be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

Where an employer with no guarantor leaves the Fund and leaves liabilities with the Fund which the Fund must meet without further recourse to that employer, the valuation of the termination payment will be calculated using the minimum risk basis.

Further details are set out in the termination policy is set out in **Appendix C**.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Unless allowance is built into the Employers contribution rate, Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund.

FUNDING FOR DEATH BENEFITS

The financial impact of the benefits that become payable on the death of a member differ depending on whether the member dies before or after retirement.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

In the event of a member dying whilst in active service, it is not certain that a funding profit would emerge. Whilst the Fund would no longer have to pay the accrued benefits at retirement for the deceased member, a lump sum death grant and benefits for eligible dependants would become payable instead. The dependants' benefits would also be based on the pensionable service that the member could have accrued had they remained in service until retirement.

Typically, the death of a young member with low pensionable service and eligible dependants is likely to result in a large funding strain for the employer. However, the death of an older/long serving member with no dependants could result in a funding profit. Any funding strain or profit will emerge at the next actuarial valuation through increased/reduced deficit, except where the employer is in the termination process when it will be taken into account when the Actuary determines the termination position.

7. LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for asset returns above those provided by the minimum risk portfolio, resulting in a negative real return in current market conditions. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 73%

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is:

	Benchmark %
Global Equities	58
Multi Asset Income	20
Fixed Income	13
UK Property	4
International Property or US Property	5
Total	100

For the purposes of setting a funding strategy, and taking into account the Regulations and guidance, the Administering Authority believes that it is appropriate to take a margin for prudence on the overall expected return in excess of CPI inflation as at 31 March 2019 that the above strategy is expected to provide taking into account the individual return expectations on the above asset classes (see further comment in Appendix A).

8. IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

FINANCIAL
The financial risks are as follows:

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC
The demographic risks are as follows:

- Future changes in life expectancy (longevity) cannot be predicted with any certainty
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health) over and above what is allowed for in the valuation assumptions
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk.

Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the Fund's cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

REGULATORY

The key regulatory risks are as follows:

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Local Pension Board) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements;
- Changes in the Pensions Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

LOCAL PENSION BOARD

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

The Board seeks to assist the London Borough of Bromley to maintain effective and efficient administration and governance. The LPB comprises Fund members, both retired and active, together with employer representatives.

It meets on an annual basis (but can meet up to four times a year if required) and all Board Members have undertaken training and have established a work programme that will enable them to meet their obligations to ensure that the Fund complies with the relevant codes of practice and current legislation.

9. MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.
- has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations, but it is unlikely that this power will be invoked other than in exceptional circumstances. Any amendments will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

COST MANAGEMENT AND THE MCCLOUD JUDGMENT

The cost management process was set up by HMT, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes ('the McCloud judgment'), relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other schemes).

It is not known how these cases will affect the LGPS or the cost management process at this time. The Scheme Advisory Board has issued guidance on how the McCloud judgment should be allowed for within the 2019 valuation.

The potential impact of the McCloud judgment (based on the information currently available) has been quantified and communicated to employers as part of the 2019 valuation. This has been assessed by removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. Employers will be able to choose to include these estimated costs over 2020/23 in their certified contributions. Alternatively, if they choose not to do this, they will need to make allowance within their budgets for the potential costs and note that backdated contributions could become payable if the remedy becomes known before the next valuation.

LONDON BOROUGH OF BROMLEY PENSION FUND
INVESTMENT STRATEGY STATEMENT (ISS)

INTRODUCTION

This Statement has been prepared by the London Borough of Bromley (the Administering Authority) to set out the Investment Strategy for the London Borough of Bromley Pension Fund (the Fund), in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the guidance paper issued by the Department for Communities and Local Government.

The ISS has been prepared by the Fund's Pensions and Investment Committee (the Committee) having taken advice from Mercers, the Fund's Actuary and the Fund's investment advisor and with such persons as the Committee considers appropriate.

The Regulations provide that an administering authority must prepare, maintain and publish a written statement of the principles governing its decisions about investments. The Regulations specify six issues that must be addressed in the statement. The following sections of this statement address these issues in turn. In addition, an appendix is included which sets out the Committees Investment Beliefs. This is in line with the recommendations in the Stewardship Code 2020 produced by the Financial Reporting Council (FRC). It is the intention that these beliefs act as broad guidance for the Committee's actions going forward.

This statement will be approved by the Committee in February 2020 and will be kept under review and revised from time to time, but at least every three years.

(a) Investing fund money in a wide variety of investments

The Fund's main long-term objective is to ensure that it has sufficient assets to meet its pension liabilities as they fall due. In order to achieve this, the Fund invests its assets with the aim of maximising investment returns whilst maintaining an acceptable risk level.

The Fund's asset allocation strategy of 58% Global Equities; 13% Fixed Income; 20% Multi Asset Income Funds, 4% UK Property and 5% International Property Funds aims to ensure that the Fund's assets are broadly diversified in terms of geography, foreign exchange, sector and asset class exposure to help reduce overall portfolio risk and volatility, whilst aiming to deliver or exceed the target returns on its investments and the cashflow requirements of the Fund. The aim is to periodically rebalance back to the allocations listed above in order to control investment risk as markets move.

The main purpose of the investment in each asset class is as follows:

- Global Equity – long term growth
- Fixed interest – diversification and risk reduction, particularly during periods of market stress
- Multi Asset Income – Income generation, diversification, value protection
- UK/International Property - Income generation, diversification

Through this balance of investment's the Committee are seeking to generate the required level of investment returns to secure the funding of the Fund into the future and control the level of risk taken through diversification whilst generating the required level of cash flow to fund current benefit payments.

The Committee has appointed two asset managers within each of the four asset classes listed above in order to reduce the risk that a single manager underperforms to an extent that it undermines the Funds investment strategy. The Fund employs five managers overall to reduce concentration risk. These asset managers are all 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 included below.

The committee keeps the Fund's investments under review and revised from time to time, but at least every three years, any changes are made only after considering advice from a suitably qualified person or people as required by legislation.

(b) The suitability of particular investments and types of investments

The funding strategy adopted for the 2019 valuation is based on an assumption of real investment return of 2.0% per annum above CPI inflation for past service benefits and 2.25% above inflation for future service benefits. The Fund is over 100% funded on a technical provisions basis and the investment strategy is set to maintain this level and thereby maintain as stable as possible a level of employer contributions going forward.

As the trustees of the Fund, the Committee, recognise the changing nature of the cash flow and liquidity requirements of the Fund as it matures, with cash outflows from the payment of benefits exceeding cash inflows from employer and employee contributions leading to a cash-negative position which requires investment income to meet its liabilities.

A key driver of the asset allocation strategy and investment manager selection is to ensure that the Fund is able to meet its future cashflow and liquidity requirements whilst aiming to meet or exceed the target return and maintain an appropriate balance of risk and volatility. The effectiveness of this strategy in achieving these aims is a major component of the Committees responsibilities and will be kept under review.

The Fund believes in investing over the long-term and will use its influence as a large institutional investor to encourage responsible long-term behaviour in financial markets where possible.

The Committee receive a report from their independent investment adviser at each meeting which reviews the performance of each asset class and manager as well as the Funds current asset allocation to ensure that the returns, risk and volatility are appropriately managed and in line with their overall investment strategy.

(c) The approach to risk, including the ways in which risks are to be assessed and managed

At the last full valuation of the Fund (as at 31st March 2019), the actuary valued the fund's assets at 110% of the fund's liabilities (91% in the previous valuation as at 31st March 2016). She determined employers' contribution rates with a view to maintaining the current solvency of the Fund and covering future pension accruals going forward, taking into account the investment strategy as set out in this statement.

The Committee is aware that the Fund must take investment risk to generate future returns and achieve its funding objective over the long-term. The Committee believes that a high allocation to growth assets, particularly Equities, is justified as part of this long-term strategy.

The principle Funding risks are as follows:

- Financial – The risk that the Fund fails to grow in line with the developing cost of meeting its liabilities in the long-term.

- Demographics – The risk that demographic factors change in a way which increases the Fund's liabilities.

- Systemic – The possibility of an interlinked financial failure which affects the majority of the Funds' assets simultaneously.

The Committee measures and monitors financial risk through setting the Strategic Asset Allocation in relation to the Fund's actuarial data including future liability accrual and cashflow requirements. It then monitors the variation of the actual asset allocation around this Strategic Benchmark, rebalancing as necessary.

The principle investment risks are as follows:

- Concentration/credit – The risk of underperformance or default from a significant allocation to any single investment or type of investment resulting in difficulties maintaining the funding level

- Illiquidity – The risk that the Fund has insufficient liquid assets to meet its cash flow requirements.

- Currency risk – The risk that the currencies of the Fund's assets underperform relative to Sterling (the currency of the Fund's liabilities).

- Manager underperformance – The failure by the investment managers to achieve their benchmark rate of investment return.

- Environmental, Social and Governance (ESG) – The risk that the relationship between shareholders in a financial asset and stakeholders in society in general alters in a way which reduces the Fund's ability to generate the required investment returns.

The Committee manages these investment risks through maintaining a diverse portfolio invested in multiple asset classes and through multiple fund managers. The Fund rebalances across managers and asset classes when appropriate. This diversification brings currency risk as not all the assets the Fund invest in are Sterling based. The Committee is aware of this risk and will discuss hedging overseas currencies back to Sterling periodically but at least every three years in line with the Actuarial review and ensuing reappraisal of the Strategic Asset Allocation Benchmark.

The Fund's actuary updates the Fund's cashflow requirements every three years as part of their triennial review and this sets the necessary generation of income from the Fund's assets. Whilst the Fund still covers all cashflow requirements from contributions and asset income it is appropriate to invest a proportion of the Fund's assets in less liquid strategies if there is a belief that this will aid the balance between risk and return.

The Committee believes in working with asset managers over the long-term and monitors them on this basis. To date the selected managers have added significantly to the Fund's assets by outperforming their benchmarks over the long-term. The diversification by manager and long-term nature of the relationship with the asset managers reduces the probability of a single asset manager underperforming to the extent that it affects the Fund's ability to meet its liabilities in a significant way.

The management of ESG risks is covered later in this report.

Other key risks that could have an adverse impact on the achievement of the Fund's funding strategy and target funding levels are analysed in the Fund's Funding Strategy Statement, these include governance and regulatory risks

(d) The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund formally became a member of the London Collective Investment Vehicle (London CIV) in October 2016 as part of the Government's pooling agenda. The London CIV is now operational and meets the Governments 2015 investment reform and criteria guidance. The London CIV is in the process of opening a range of sub-funds covering liquid and less liquid asset classes. The Committee is aware that the Ministry for Housing, Communities and Local Government is currently engaged in a further consultation regarding the mechanisms for pooling and the Fund will take any updated recommendations and advice into account when it is issued.

The London CIV is a company limited by shares. The London Local Authorities are the only shareholders in the London CIV. A Shareholder Agreement sets out that major decisions, including approval of budget, objectives and business plan are reserved to Shareholders in General Meetings. All shareholders meet twice a year and a Shareholders Committee representing all shareholders meets quarterly. In addition, there are two shareholder nominated directors on the Board of the London CIV as well as a treasury (Section 151) officer as observer. In addition, the Fund would enter into a service level agreement as assets are transferred into the London CIV and monitor the performance of the London CIV against this agreement.

As at 31/12/2019 the Fund has not transferred any assets to the London CIV but the Committee continues to review the availability of funds within the London CIV and their acceptability and fit with the Fund's requirements. Following the outcome of the asset allocation review in February 2020, work will continue to explore options for transferring investments into the London CIV where this is cost effective and the CIV is able to meet the Funds requirements in terms of governance; performance; risk and access to the required asset classes. It remains the assumption that all assets will be transferred to the London CIV when these requirements are met. Assets can be retained outside of the London CIV pool, for example if it is not deemed cost effective in terms of management fees and transition costs to transfer them, or if the CIV does not have a suitable sub-fund which meets the requirements of the Funds asset allocation and investment strategy. The transfer of assets to the London CIV is kept under review by the Committee

(e) How social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of 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 and its members. As a Pension Fund. with pension obligations stretching out many years into the future, the Fund, by its nature, is a long-term investor. The Committee recognises that investing responsibly over the long-term must include the consideration of not just financial data but also of the impact of the Fund's investments in terms of the environment, effects on broader society and corporate governance (ESG issues). The Fund has appointed asset managers who invest for the long-term thereby explicitly consider ESG issues as an integral part of their research effort when investing the Fund's assets. The Fund expects to vote, where practical, on all Annual and Extraordinary general meetings held by companies in which it is invested. It has delegated this responsibility to its asset managers and monitors their fulfilment of this obligation.

The Fund will not seek to exclude investments that are not barred by UK law in the belief that engagement is preferable to divestment. Whilst there is obvious risk in investing in companies with material ESG issues, there can be long-term financial gain where such companies are actively attempting to manage and improve these risks and as such the Fund adopts a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance future returns to investors and believes this is more compatible with its fiduciary responsibility and more supportive of its long term investment goals. If a company fails to engage on these issues with the Fund's asset managers or if the asset managers have reason to believe a company is not being honest and open about its intended actions in this area, divestment on a stock by stock basis remains an option.

The Fund will work with like-minded investors to promote best practice in the long-term stewardship of investments.

(f) The exercise of the rights (including voting rights) attaching to the investments

The investment managers have been authorised to exercise voting rights on behalf of the Fund unless specifically instructed to vote in a particular way on any individual resolution by the Committee. In exercising those rights, they will have regard to best practice as set out in the Stewardship Code 2020 produced by the Financial Reporting Council. They have been instructed to report back to the Committee every quarter on any material divergence from the recommendations of the Combined Code by companies in which the Fund is invested and on action taken by them in response to the divergence. They have also been instructed to report to the Committee periodically on their corporate governance activities generally, including their dialogue with companies' management to encourage sound social, environmental and ethical practices in their activities.

The Committee will issue instructions on individual matters 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.

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 investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(d): 5%

Other restrictions imposed by the authority

- Cash held at custodian's bank is not to exceed £2.5m for each individual fund manager, 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

Asset Allocation

The current investment strategy comprises the following strategic asset allocations:

	Benchmark %
Global Equities	58
Multi Asset Income	20
Fixed Income	13
UK Property	4
International Property	5
Total	**100**

The Fund managers have been set the following targets/benchmarks:

- Global equities – Baillie Gifford is required to outperform the MSCI All Countries World Index, MFS is required to outperform the MSCI World Index
- Multi-Asset Income – Fidelity are required to generate a total return in excess of LIBOR +4% p.a. and Schroders LIBOR +5% p.a.
- Fixed income – Baillie Gifford are required to outperform 88% Sterling Aggregate Benchmark (50% FTSE UK Conventional Gilts Actuaries All stocks index and 50% Bank of America Merrill Lynch Sterling Non-Gilt Index), 6% JP Morgan GBI-EM Global Diversified Index un-hedged in Sterling and 6% Bloomberg Barclays Global Aggregate Credit GBP Hedged Index; Fidelity are required to outperform 50% Sterling Gilts/ 50% Sterling non-Gilts
- UK Property – Fidelity are required to outperform the IPD UK PFI - All Balanced Property Fund Index
- International Property – a benchmark will be set for the manager upon appointment and this document updated accordingly.

Statement of Investment Beliefs

The Committee believes that

- It is important that funding related aspects and, in particular, funding level and cash flow profile feed into investment strategy decisions. Given this, actuarial and investment matters, most notably setting investment strategy, are looked at in tandem by the Committee.
- The Committee targets a strong funding level to provide some buffer to the risk of future employer contribution increases. This enables the Committee to adopt a long term investment horizon, and is thereby prepared to accept short term volatility or illiquidity, in order to achieve higher investment returns. In this context, the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. The Committee is therefore comfortable that the Fund maintains a significant allocation to equities in order to support the affordability of contributions.
- Strategic asset allocation is a key determinant of investment risk and return, and thus is typically more important than manager or stock selection. In addition, the Committee believes that periodic rebalancing of asset class weightings back to their strategic can add value over the long term.
- Risk can be mitigated through the diversification of the portfolio, by selecting a variety of both asset classes and managers. A balance needs to be struck between the need for diversification and keeping a small enough number of mandates to ensure good governance.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for investors. Active management can add value over time but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management may be preferred, but brings some of its own risks. In all cases, managers will be judged on after fees returns.
- Managing fees and costs matter, especially in low-return environments. The Committee believes in considering managers' performance on the basis of returns net of fees/costs and not of fees/costs alone.
- A strong ESG / Responsible Investor policy is required by regulation and should be seen within the context of the Fund's long-term investment and futureproofing its financial security. ESG considerations can help identify superior long-term investments and the Committee requires its managers to include them in their investment processes, provided these considerations do not impact financial returns or risk. The Fund requires managers to report back on them on ESG matters. The Committee believes that a policy of engaging with investee companies to improve their behaviour, rather than exclusion, is more compatible with their fiduciary duty and more supportive of their long term investment goals.
- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability add value to the Fund. The Committee identifies good managers with which to work in partnership, delegates authority to them, and monitors their overall performance, on key matters, regularly.
- The Committee expects to assess the London CIV pool in any future management arrangements of investments on behalf of the Council's fund.
- The Committee also believes that taking independent advice, notably in investment and actuarial matters, which can strengthen governance and add value to the Fund.

LONDON BOROUGH OF BROMLEY PENSION FUND
COMMUNICATIONS POLICY STATEMENT

Regulation 61 of the Local Government Pension Scheme Regulations 2013 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.
	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 Director of Finance.
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 if a material difference of £10.00.	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 Director of Finance.
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.	Director of Finance
Consultative documents	Consultative documents issued by ODPM are distributed to employing authorities where relevant.	Director of Finance

ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, alternative methods are adopted, which make advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET AND COST OF FUTURE ACCRUAL

Investment return (discount rate) – Solvency Funding Target

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.25% per annum above CPI inflation, i.e. a total discount rate of 3.65% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Investment return (discount rate) – Cost of Future Accrual

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation and a slightly higher expected return from the investment strategy has been assumed. In addition, the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.25% per annum above the long term average assumption for consumer price inflation of 2.4% per annum. This leads to a discount rate of 4.65% per annum.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index.

The overall reduction to RPI inflation at the valuation date is 1.0% per annum. The CPI inflation assumption at the valuation date is 2.4% per annum. This adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any reform of the RPI index as announced by the Chancellor in the March 2020 budget. Any change will then be implemented for all relevant policies in this Funding Strategy Statement.

Salary increases

In relation to benefits earned prior to 1 April 2014, and to allow for any final salary 'underpin' applying to benefits earned after that date, the assumption for real salary increases (salary increases in excess of price inflation) will be 1.5% p.a. over the CPI inflation assumption as described above. This includes allowance for promotional increases and represents the long term salary increase assumption.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. some Guaranteed Minimum Pensions where the LGPS is not currently required to provide full indexation). For members in pensionable employment, their CARE benefits are also indexed by CPI although this can be less than zero i.e. a reduction in benefits, whereas for pension increases this cannot be negative, as pensions cannot be reduced.

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions are based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. A separate mortality assumption has also been adopted for current members who retire on the grounds of ill health. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections and a long term improvement trend of 1.75% per annum.

The mortality before retirement has also been reviewed based on LGPS wide experience.

Commutation

It has been assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement. This is broadly equivalent to the assumption at the 2016 actuarial valuation. The option which members have to commute part of their pension at retirement in return for an additional lump sum is based on a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the proportions married/civil partnership assumption, rates of ill-health retirement (for some employers) and withdrawal from active service assumption have been retained from the last valuation. No allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.7% of pensionable pay to the contributions required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share may be restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.40% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	3.65% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases	3.90 p.a.
Pension increases/indexation of CARE benefits*	2.40% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.65% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases	3.90% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.

* for those members reaching State Pension Age between 6 April 2016 and 5 April 2021, full CPI increases on Guaranteed Minimum Pensions have been assumed once in payment. Otherwise statutory increases on Guaranteed Minimum Pension will apply e.g. nil on Guaranteed Minimum Pensions accrued prior to 6 April 1988 and in line with CPI (subject to a maximum of 3% p.a.) for Guaranteed Minimum Pensions accrued after 5 April 1988.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

-Post retirement mortality tables

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	96% S3PMA_CMI_2018 [1.75%] 88% S3PFA_M_CMI_2018 [1.75%]
	Dependant	143% S3PMA_CMI_2018 [1.75%] 85% S3DFA_CMI_2018 [1.75%]
	Ill Health	118% S3IMA_CMI_2018 [1.75%] 121% S3IFA_CMI_2018 [1.75%]
	Future Dependant	121% S3PMA_CMI_2018 [1.75%] 105% S3DFA_CMI_2018 [1.75%]
Active	Normal Health	98% S3PMA_CMI_2018 [1.75%] 89% S3PFA_M_CMI_2018 [1.75%]
	Ill Health	115% S3IMA_CMI_2018 [1.75%] 138% S3IFA_CMI_2018 [1.75%]
Deferred	All	123% S3PMA_CMI_2018 [1.75%] 103% S3PFA_M_CMI_2018 [1.75%]
Future Dependant	Dependant	129% S3PMA_CMI_2018 [1.75%] 111% S3DFA_CMI_2018 [1.75%]

-Life expectancies at age 65

Membership Category	**Male Life Expectancy at 65**	**Female Life Expectancy at 65**
Pensioners	22.7	25.1
Actives aged 45 now	24.6	27.1
Deferreds aged 45 now	22.9	26.0

Other demographic assumptions are set out in the Actuary's formal report.

EMPLOYER DEFICIT RECOVERY PLANS

For certain employers, as the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will either be expressed as £s amounts (flat or increasing year on year) or as a percentage of pay, as deemed appropriate by the Administering Authority, and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement with employers free to select any shorter deficit recovery period and higher contributions if they wish.

The determination of the recovery periods is summarised in the table below:

Category	***Default Deficit Recovery Period***
Fund Employers	Lower of 12 years and period required to target stability of overall contributions.
Open Admitted Bodies	Lower of 12 years and period required to target stability of overall contributions.
Closed Employers	Lower of 12 years and the future working lifetime of the membership
Employers with a limited participation in the Fund	Determined on a case by case basis

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period) taking into account any changes in the primary rate contribution requirements.

For those admitted bodies assessed to be in surplus at the valuation date, at the discretion of the administering authority, the surplus will be removed over a maximum recovery period of 12 years, unless agreed otherwise with the administering authority.

For other employers assessed to be in surplus at the valuation date, unless agreed otherwise with the administering authority, the surplus will be retained to act as a margin against the impact on past service liabilities of the McCloud judgment, and also as a margin against investment risk and other potential adverse experience over 2020/23. In such cases the employer will pay Primary Contributions only to the Fund over 2020/23.

Other factors affecting the Employer Deficit Recovery Plans
As part of the process of agreeing funding plans with individual employers, the Administering Authority may consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for such organisations for the three years 2020/23. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and the receipt of appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the ongoing interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, will also consider whether any exceptional arrangements should apply in particular cases.

ADMISSION AND TERMINATION POLICY

This document details the London Borough of Bromley Pension Fund's (LBBPF) policy on the methodology for assessment of ongoing contribution requirements and termination payments in the event of the cessation of an employer's participation in the Fund. This document also covers LBBPF's policy on admissions into the Fund and sets out the considerations for current and former admission bodies. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

A list of all current employing bodies participating in the LBBPF is kept as a live document and will be updated by the Administering Authority as bodies are admitted to or leave the LBBPF.

Please see the glossary for an explanation of the terms used throughout this Appendix.

ENTRY TO THE FUND

MANDATORY SCHEME EMPLOYERS

Certain employing bodies are required to join the scheme under the Regulations. These bodies include tax raising bodies, those funded by central government (academies and colleges) and universities (reliant on non-government income). Academies also fall under this category.

DESIGNATING BODIES

Designating bodies are permitted to join the scheme if they pass a resolution to this effect. Designating bodies, other than connected entities, are not required under the Regulations to provide a guarantee. These bodies usually have tax raising powers and include Parish and Town Councils.

ADMISSION BODIES

An admitted body is an employer which, if it satisfies certain regulatory criteria, can apply to participate in the Fund. If its application is accepted by the Administering Authority, it will then have an "admission agreement". In accordance with the Regulations, the admission agreement sets out the conditions of participation of the admitted body including which employees (or categories of employees) are eligible to be members of the Fund.

Admitted bodies can join the Fund if:

- They provide a service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies);
- They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but the one common element is that they are "not for profit" organisations (formerly known as Community Admission Bodies).

In general, admitted bodies may only join the Fund if they are guaranteed by a scheme employer. However, there may be exceptional circumstances whereby, subject to the agreement of the Administering Authority, an admitted body joins the Fund with an alternative form of guarantee. When the agreement or service provision ceases, the Fund's policy is that in all cases it will look to recover any outstanding deficit from the outgoing body unless appropriate instruction is received from the outsourcing employer or guaranteeing employer, in which case the assets and liabilities of the admission body will in revert to the outsourcing scheme employer or guaranteeing employer.

CONNECTED ENTITIES

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer.

Although connected entities are “Designating Bodies” under the Regulations, they have similar characteristics to admitted bodies (in that there is an “outsourcing employer”). However, the Regulations do not strictly require such bodies to have a guarantee from a scheme employer.
To limit the risk to the Fund, the Fund will require that the scheme employer provides a guarantee for their connected entity, in order that the ongoing funding basis will be applied to value the liabilities.

RISK ASSESSMENTS

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation’s funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

ADMITTED BODIES PROVIDING A SERVICE

Generally Admitted Bodies providing a service will have a suitable bond or guarantor that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the LBBPF. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the LBBPF it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the LBBPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the LBBPF the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions

PRE-FUNDING FOR TERMINATION

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy, a notional investment strategy will be assumed as a match to the liabilities. In particular, the employing body's notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

EXITING THE FUND

Termination of an employer's participation

When an employer's participation in the Fund comes to its end or is prematurely terminated for any reason (e.g. a contract with a local authority comes to an end or the employer chooses to voluntarily cease participation), employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund either as deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

Where the Fund obtains advance notice that an employer's participation is coming to an end, the Regulations enable the Fund to commission a funding assessment leading to a revised contribution certificate which is designed to eliminate, as far as possible, any surplus or deficit by the cessation date.

Whether or not an interim contribution adjustment has been initiated once participation in the Fund has ceased, the employer becomes an exiting employer under the Regulations and the Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a revision of the rates and adjustment certificate showing any contributions due from the admission body.

When an employer exits the Fund, as an alternative to requiring an immediate payment in full, the Regulations give power to the Fund to set a repayment plan to recover the outstanding debt over a period at the sole discretion of the Administering Authority. Whether this will be permitted will depend on the affordability of the repayments and financial strength of the exiting employer. Once any such repayment plan is set the payments would not be reviewed for changes in the funding position due to market or demographic factors.

The Fund's policy for termination payment plans is as follows:

- The default position is for exit payments and exit credits to be paid immediately in full with the relevant parties.
- At the discretion of the Administering Authority, instalment plans over a defined period will only be agreed when there are issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt.
- Any costs associated with the exit valuation will be paid by the employer by either increasing the exit payment or reducing the exit credit by the appropriate amount. In the case of an employer where the exit debit/credit is the responsibility of the original employer through a risk sharing agreement the costs will be charged directly to the employer unless the original employer directs otherwise.

In the event that unfunded liabilities arise that cannot be recovered from the employing body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

BASIS OF TERMINATION

The LBBPF's policy is that a termination assessment will be made based on a minimum risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

Details of the minimum risk funding basis are shown below.

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the LBBPF's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the LBBPF otherwise. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit on closure. In these circumstances no termination payment will be required from the outgoing employing body itself, as the deficit would be recovered via the successor body's own deficit recovery plan.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases, no termination assessment is required as there will no longer be any orphan liabilities in the LBBPF. Therefore, a separate assessment of the assets to be transferred will be required.

IMPLEMENTATION

Admission bodies participating by virtue of a contractual arrangement
For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit under the default policy. In some instances an exit debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No payment of an exit credit will be payable unless representation is made as set out below.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.
- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the cessation assessment by the Actuary.
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations as noted above. For the avoidance of doubt, where the outgoing employer is not responsible for any costs under a risk sharing agreement then no exit credit will be paid as per the Regulations unless the Fund is aware of the provisions of the risk sharing agreement in any representation made and determines an exit credit should be paid.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations. However, if a representation is made to the Administering Authority then a reasonable estimate for the potential cost of McCloud will need to be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

In the event of parties unreasonably seeking to crystalise an exit credit on termination the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities then the termination assessment will assume the liabilities are orphaned and the minimum risk basis of termination will be applied.

As the guarantor will absorb the residual assets and liabilities under the default policy above, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility, then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious minimum risk basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs, the exiting employer would then be treated as if it had no guarantor as per the policy below.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary, based on representations from the interested parties where appropriate.

Non contract based admission bodies with a guarantor in the Fund

The approach for these will be the same as for contract based admission bodies above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities. Indeed, it may be that Fund is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

Admission bodies with no guarantor in the Fund

These are the cases where the residual liabilities would be orphaned within Fund. It is possible that a bond would be in place. The termination calculation would be on the more cautious “minimum risk” basis.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The policy for such employers will be:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. As part of any termination assessment, a reasonable estimate for the potential cost of McCloud will be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

Connected Entities

In the event of cessation, the connected entity will be required to meet any outstanding liabilities valued in line with the approach outlined above. In the event there is a shortfall, the assets and liabilities will revert to the Fund as a whole (i.e. all current active employers). In the event that a scheme employer provides a guarantee for their connected entity, the assets and liabilities will revert in totality to that scheme employer on termination, including any unrecovered deficit.

RELEVANT REGULATIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED BY THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018)

Regulation 64 sets out special circumstances where revised actuarial valuations and certificates must be obtained including Regulation 64 (2) where an admission agreement ceases to have effect, the Administering Authority who made it must obtain:

- an actuarial valuation as at the date it ceases the liabilities in respect of current and former employees of the admission body which is a party to that admission agreement ("the outgoing admission body");

- a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the exit payment due from the exiting body or exit credit payable to the exiting body. Where it is not possible for any reason to obtain revised contributions from the exiting body, or from an insurer or any person providing an indemnity or bond on behalf of the body, the Administering Authority may obtain a further revision of any rates and adjustment certificate for the Pension Fund, showing:
    - a) in the case where the exiting body falls within paragraph 1(d) of Part 3 of Schedule 2 the revised contributions due from the body which is the related employer in relation to that admission body; and
    - b) in any other case, the revised contributions due from each employing authority who contributes to the Fund.

If the Administering Authority becomes aware or is of the opinion of a scheme employer becoming an exiting employer, Regulation 64 (4) provides that it may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion:

- the contribution at the primary rate should be adjusted; or

- any prior secondary rate adjusted should be increased or reduced, with a view to providing that assets equivalent to the exit payment that will fall due from the Scheme employer are provided to the Fund by the likely exit date or, where the scheme employer is unable to meet the liability by that date, over such period of time thereafter as the Administering Authority considers reasonable.

Minimum Risk Termination basis
The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2019) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Least risk assumptions	***31 March 2019***
Discount Rate	1.5% p.a.
CPI price inflation	2.4% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

All demographic assumptions will be the same as those adopted for the 2019 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the long term rate of improvement in mortality rates to 2% p.a. from 1.75% p.a. as used in the 2019 valuation for ongoing funding and contribution purposes. This assumption will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.

In addition, since the valuation date, it has been announced that RPI inflation is likely to be reformed with the reform potentially meaning the index is closer to the CPIH inflation measure. This would need to be reflected when deriving an updated market estimate of CPI inflation. For example when assessing a termination position (at February 2020) we will adjust the market RPI inflation to arrive at the CPI inflation assumption by deducting 0.7% per annum as opposed to the 1.0% per annum at the valuation date when assessing an employer's termination position. This adjustment will be kept under review as more details emerge on the reform of RPI.

COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least annually, unless the Administering Authority determines a more frequent review period will be necessary in the circumstances e.g. bi-annually, quarterly etc.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

- Parental Guarantee and/or Indemnifying Bond
- Transfer to a more prudent actuarial basis (e.g. the termination basis)
- Shortened recovery periods and increased cash contributions
- Managed exit strategies
- Contingent assets and/or other security such as escrow accounts.

GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

CPIH: An alternative measure of CPI which includes owner occupiers' housing costs and Council Tax (which are excluded from CPI).

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Fund / Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis: an approach where the discount rate used to assess the liabilities is determined based on returns in line with assumed CPI inflation only. This is usually adopted when an employer is exiting the Fund.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution

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Report No.
CSD23132

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**LOCAL PENSION BOARD**
Date:	**25 October 2023**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PERFORMANCE MONITORING REPORT 2023-24 TO 25 OCTOBER 2023**
Contact Officer:	Martin Doyle – Head of Pensions Shared Service Tel No: 020 8871 6522 E-mail: martin.doyle@richmondandwandsworth.gov.uk
Chief Officer:	Director of Finance
Ward:	Borough Wide

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1. Reason for report

1.1 This report is prepared by the Head of Pensions Shared Service to provide the Local Pension Board with information to assess whether the Fund is complying with the Pension Regulator's Code of Practice on Governance and Administration of public service pension schemes.

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2. RECOMMENDATIONS

2.1 Members of the Local Pension Board are asked to note:

a) The Pensions Regulator Code of practice 'Governance and administration of public service pension schemes' as a guide to good governance;

b) The procedures and policies in place to monitor Liberata's performance; and,

c) Liberata's current performance levels.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A

Corporate Policy

1. Policy Status: Existing Policy. The Council's pension fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.
2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: No Cost
2. Ongoing costs: TBC
3. Budget head/performance centre: Pension Fund
4. Total current budget for this head: TBC
5. Source of funding: Contributions to Pension Fund

Personnel

1. Number of staff (current and additional): N/A
2. If from existing staff resources, number of staff hours: N/A

Legal

1. Legal Requirement: Statutory Requirement Local Government Pension Scheme Regulations 2013 (as amended).
2. Call-in: Not Applicable: No Executive Decision.

Procurement

1. Summary of Procurement Implications: N/A

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,208 current active members, 7,978 deferred pensioners and 6,064 pensioner members (for all employers in the Fund) as at 30 September 2023.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 The Public Service Pensions Act 2013 (the 2013 Act) introduced the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the regulator. The Pensions Regulator under the requirements of the Pensions Act 2013 issued a Code of Practice on governance and administration of public sector pension schemes. This provides practical guidance and sets the standards of conduct expected of those exercising those functions. The Code of Practice provides practical guidance to the Council, as the administering authority and "scheme manager" and Local Pension Board members in relation to the exercise of functions under relevant pension legislation.

Further detail was provided to the Local Pension Board meeting on 6th November 2018 and to the General Purposes and Licensing Committee on 27th November 2018.

3.2 The Bromley Pension Fund Administration is carried out by Liberata and monitored by the Head of Pensions Shared Service. The following procedures and policies are in place to monitor Liberata's performance:

- Monthly Service Review*:* a service review meeting is carried every month with Liberata Pensions, Head of Pensions Shared Service and Assistant Director of Exchequer Services.

  The review aims to help monitor performance and service quality, and support continuous improvement. A comprehensive Pensions Administration report is produced by Liberata covering the following:

  - Monthly summary of regulations and circulars, general updates, training, data backup and reporting
  - SLA monitoring and KPIs
  - Membership analysis
  - Operation plan (continuous improvement plan)
  - Complaints and compliments
  - Long term costs for retirements
  - Monthly contributions schedule

  In addition, Liberata also provides a summary of their current work statistics, a breakdown of all cases completed during the month and all cases outstanding at the end of the month.

  Depending on the outstanding casework, recommendations will be provided to Liberata, such as clearance of failed cases to improve the overall level of performance moving forward and focus on cases with the highest volume of outstanding work.

- Quality Checking: this is a process to assess an individual's competence in a particular area or if the complexity or risk of the task determines checking is required. It is always completed prior to the issue of any output.

Although Liberata has a quality checking process in place additional review is carried out by the Head of Pensions Shared Service or Head of Corporate Finance and Accounting for the following tasks:

- Flexible retirement
- Payment of Death grants
- Large/ complex transfer value
- Complex queries

Quality checking must be undertaken by a different person than the officer who processed the case.

Quality checking provides an assurance on customer experience, accuracy of processing and ongoing achievement of competency levels. Customer satisfaction is monitored through the volume of repeat enquiries and complaints.

If an error is identified, feedback is provided to the officer who processed the case. As we gather more information, this may provide an opportunity to create a valuable set of training notes.

3.3 The performance monitoring report attached in Appendix 1 provides detailed statistics, prepared based on Liberata's performance statistics between 1st April 2022 and 31st March 2023 and Appendix 2 provides those statistics for the period 1st April 2023 to 31st May 2023.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.

5. FINANCIAL IMPLICATIONS

5.1 None arising from directly from this report.

6. LEGAL IMPLICATIONS

6.1 The Public Service Pensions Act 2013 provides primary legislation for all public service schemes including the LGPS 2014.

Non-Applicable Sections:	Procurement/Personnel Implications and Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Public Service Pensions Act 2013; Local Government Pension Scheme Regulations 2013 (as amended); Code of Practice 'Governance and Administration of Public Service Pension Schemes' The Pensions Regulator Engagement Report "Governance and administration risks in public service pension schemes"

LONDON BOROUGH OF BROMLEY

PERFORMANCE MONITORING REPORT

2022-2023

LONDON BOROUGH OF BROMLEY - LOCAL PENSION BOARD
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1. Executive Summary

Appendix 1 provides tables for performance of key work items and customer feedback. The achievements against the performance indicators, customer feedback and the relatively small number of complaints indicate generally that the service standards are strong.

The significant tasks completed by Liberata since 1 April 2022 are:

Valuation – Member Data has been provided to Actuary

FRS 101 - the data for the full year for the Academies has been provided to LBB for submission to the Actuary.

SF3 - the data has been supplied to LBB.

Annual Allowance - all annual allowance calculations have been checked and statements have been issued by the 5th October 2022 deadline.

Annual Benefit Statements were issued to all active and deferred members by the statutory deadline, 31st August 2022.

The pensions increase letters were issued to all pensioners in April 2022.

For the 2023 pensions increase, Liberata have calculated the Pension Increase and finalised the spreadsheet for release to Payroll and distributor and provided the draft letters and notes to the printers for despatch.

Pension Webinar - Liberata provided a pension webinar to 300+ employees on 8th December 2022. Providing an overview of the pension scheme, entitlement and explanation of the figures provided in the annual benefit statements. The feedback from the webinar was very positive, but caused large volumes of enquiries from members and for one to one meetings.

External Audit - Liberata have provided the documentation to EY (the Auditors) to enable them to commence their review of the pension processes.

Factsheets and Forms for the LBB LGPS webpage - all documents have been updated, supplied and uploaded to the webpage.

Mortality Screening - a new upload of data has been provided to Target for the ongoing monthly mortality screening.

2. Performance Monitoring

In order to provide a greater understanding of the key transactions completed in the period, the following tables provide some key performance data.

2.1 Key Performance Indicators (KPI)

A breakdown of the Process Cycle Times for general queries (excluding deaths; retirements and transfers which are covered later) is below:

Correspondence

All Written Correspondence replied to within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	22	20	22	43	68	36	47	68	38	57	30	35
<=10 days	22	20	22	43	68	36	47	68	38	57	30	35
%<=10 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Deferred Benefits

All Deferred Benefits processed within 15 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	26	51	25	33	40	43	36	35	19	24	54	38
<=15 days	25	46	25	29	38	41	35	34	18	23	46	35
%<=15 days	96	90	100	88	95	95	97	97	95	96	85	92
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Estimates

All Estimates processed within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	32	16	27	31	25	22	14	23	15	25	23	8
<=10 days	26	15	16	26	23	20	13	22	15	23	20	7
%<=10 days	81	94	59	84	92	91	93	96	100	92	87	88
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

AVC / Added Years / ARCs

AVC, Added Years and ARCs Actuals within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	0	1	0	0	0	1	0	0	0	0	0	0
<=10 days	0	1	0	0	0	1	0	0	0	0	0	0
%<=10 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Starters

Starter Cases within 20 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	91	124	75	46	79	102	73	93	99	93	103	130
<=20 days	91	123	75	28	73	102	73	93	97	91	101	130
%<=20 days	100	99	100	61	92	100	100	100	98	98	98	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Combining

Combining Cases within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	8	8	5	14	23	9	10	2	7	3	6	8
<=10 days	8	8	5	14	23	9	10	2	7	3	6	8
%<=10 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Opt Out

Process Opt out Cases within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	2	3	21	11	7	5	19	13	7	15	3	12
<=10 days	2	3	21	11	7	5	19	13	7	15	3	12
%<=10 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Refunds

All Refunds to be processed within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	9	17	16	14	22	16	12	16	3	5	23	12
<=10 days	9	17	16	14	22	16	11	16	3	5	20	12
%<=10 days	100	100	100	100	100	100	92	100	100	100	87	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Redundancy

All Redundancies to be processed within 5 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	0	0	0	0	0	0	0	0	0	0	0	0
<=5 days	0	0	0	0	0	0	0	0	0	0	0	0
%<=5 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.2 Retirements

In the year to 31 March 2023, there were 318 retirement grants paid, of which 307 were met in the KPI target. This is equivalent to a performance standard level of 97%.

A breakdown of the Process Cycle Times for retirements is below:

Retirement Notification

Issue of Retirement documentation 10 days before retirement or on notification of retirement, whichever is the later.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	27	32	22	21	30	36	27	40	12	23	31	17
<=10 days	26	31	22	21	27	36	25	37	12	23	30	17
%<=10 days	96	97	100	100	90	100	93	92	100	100	97	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Retirement Grants

All Retirement Grants to be paid 10 days from date of retirement or notification of retirement, whichever is the later.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	27	32	22	21	30	36	27	40	12	23	31	17
<=10 days	26	31	22	21	27	36	25	37	12	23	30	17
%<=10 days	96	97	100	100	90	100	93	92	100	100	97	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Retirement Pension Paid

All Retirement Pension Paid to be paid 10 days from date of retirement or notification of retirement, whichever is the later.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	27	32	22	21	30	36	27	40	12	23	31	17
<=10 days	26	31	22	21	27	36	25	37	12	23	30	17
%<=10 days	96	97	100	100	90	100	93	92	100	100	97	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.3 Transfers

In the year to 31 March 2023, there were 42 enquiries in relation to transferring in, of which 41 were met in the KPI. This is equivalent to a performance standard level of 98%.

There were 56 enquiries in relation to transferring out, of which 56 were met within the KPI. This is equivalent to a performance standard level of 100%.

A breakdown of the Process Cycle Times for transfers is overleaf:

Transfer-In Quote

All Transfer-in quotations to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	1	8	4	1	7	3	2	1	3	4	3	5
<=10 days	1	7	4	1	7	3	2	1	3	4	3	5
%<=10 days	100	88	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-In Request Payment

Request Transfer in Payments Transfer-in payments within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	1	5	3	1	0	4	1	1	2	0	0	2
<=10 days	1	5	3	1	0	4	1	1	2	0	0	2
%<=10 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-In Payment

All Transfer-in payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	2	1	0	3	1	3	3	0	0	0	1	2
<=10 days	2	1	0	3	1	3	3	0	0	0	1	2
%<=10 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-In Quote

All Interfund-in quotations to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	13	7	8	5	8	6	7	4	4	3	12	15
<=10 days	12	7	8	5	8	6	7	4	4	3	12	15
%<=10 days	92	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-In Request Payment

Request Interfund-in payments within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	1	5	2	1	4	2	2	3	2	3	3	9
<=10 days	1	5	2	1	4	2	2	3	2	3	3	9
%<=10 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-In Payment

All Interfund-in payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	5	8	6	3	4	6	8	1	1	2	1	7
<=10 days	5	8	6	3	4	6	8	1	1	0	1	7
%<=10 days	100	100	100	100	100	100	100	100	100	0	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-Out Quote

All Transfer-out quotes to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	3	3	2	5	5	2	5	7	1	9	6	8
<=10 days	3	2	2	5	5	2	5	7	1	9	6	8
%<=10 days	100	67	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-Out Payment

All Transfer-out payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	2	1	0	0	4	0	4	1	0	0	2	2
<=10 days	1	1	0	0	4	0	4	1	0	0	2	2
%<=10 days	50	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-Out Quote

All Interfund-out quotations to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	15	22	10	13	9	5	7	16	10	17	15	9
<=10 days	15	21	10	10	9	5	7	16	10	15	15	9
%<=10 days	100	95	100	77	100	100	100	100	100	88	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-Out Payment

All Interfund-out payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	4	8	5	6	18	5	3	6	7	7	12	16
<=10 days	4	8	5	5	18	5	3	6	7	7	9	15
%<=10 days	100	100	100	83	100	100	100	100	100	100	75	94
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.4 Deaths

In the year to 31 March 2023, there were 127 death cases, of which 122 were processed in the KPI. This is equivalent to a performance standard level of 96%.

A breakdown of the Process Cycle Times for deaths is below:

Death - Initial Acknowledgement Letter

All Death benefits notified within 5 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	12	6	5	17	6	8	12	18	11	27	15	6
<=5 days	12	6	5	17	6	8	12	18	11	27	15	6
%<=5 days	100	100	100	100	100	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Deaths - Processed

All Death benefits processed within 5 days of receipt of necessary information

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	11	10	12	19	11	5	7	10	6	12	9	15
<=5 days	9	9	11	19	11	5	7	10	6	11	9	15
%<=5 days	82	90	92	100	100	100	100	100	100	92	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Deaths - Death Grant Payment

All Death Grants processed within 5 days of receipt of necessary information

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	2	4	0	0	2	1	1	1	3	3	1	1
<=5 days	2	4	0	0	1	1	1	1	3	3	1	1
%<=5 days	100	100	100	100	50	100	100	100	100	100	100	100
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.5 Complaints

Customer satisfaction is monitored through the volume of repeat enquiries and complaints.

I set out below the complaints recorded since 1st April 2022:

Month	Member Complaint	Justified (Y/N)
April	*None*	
May	Delay in providing retirement options	Y
June	*None*	
July	Letter included retirement benefits with next year's pensions increase	Y
August	2X Annual Benefit Statement envelopes unsealed	2X N
	Delay in payment of pension and lump sum	Y
September	Address change not actioned	N
October	*None*	
November	Lack of Action	N
December	*None*	
January	No pension figures supplied for her retirement due to outstanding information from a previous transfer	N
February	None	
March	Non-provision of pension figures due to admitted body status not being finalised - unfounded	N
	Total Complaints in 2022-23	**9**

3. Analysis of Fund membership data

The table below shows the latest membership data, as at 31st March 2023 and for the preceding months:

(taken from Membership Analysis Report - Excludes Councillors

Date of Report	09-May-22		10-Jun-22		08-Jul-22		08-Aug-22		07-Sep-22		13-Oct-22	
Status as at	31-Mar-22	**30-Apr-22**	30-Apr-22	**31-May-22**	31-May-22	**30-Jun-22**	30-Jun-22	**31-Jul-22**	31-Jul-22	**31-Aug-22**	31-Aug-22	**30-Sep-22**
1 Active	6385	**6425**	6425	**6454**	6454	**6472**	6472	**6339**	6339	**6087**	6087	**6137**
2 Undecided leaver	732	**742**	742	**738**	738	**764**	764	**863**	863	**1124**	1124	**1113**
4 Deferred pensioner	6275	**6290**	6290	**6296**	6296	**6301**	6301	**6324**	6324	**6341**	6341	**6356**
5 Pensioner	5068	**5076**	5076	**5101**	5101	**5117**	5117	**5126**	5126	**5145**	5145	**5180**
6 Widow/dependant	722	**730**	730	**739**	739	**738**	738	**736**	736	**731**	731	**731**
9 Frozen refund	1050	**1049**	1049	**1056**	1056	**1050**	1050	**1054**	1054	**1056**	1056	**1061**
Total membership	20232	**20312**	20312	**20384**	20384	**20442**	20442	**20442**	20442	**20484**	20484	**20578**
3 Leaver - no liab	9803	**9779**	9779	**9807**	9807	**9829**	9829	**9848**	9848	**9880**	9880	**9899**
7 Death	4722	**4739**	4739	**4748**	4748	**4755**	4755	**4777**	4777	**4786**	4786	**4795**
8 Opt out within 3 mths	3042	**3036**	3036	**3050**	3050	**3075**	3075	**3090**	3090	**3103**	3103	**3105**
Total on stats report	37799	**37866**	37866	**37989**	37989	**38101**	38101	**38157**	38157	**38253**	38253	**38377**

Date of Report	10-Nov-22		05-Dec-22		06-Jan-23		10-Feb-23		13-Mar-23		14-Apr-23	
Status as at	30-Sep-22	**31-Oct-22**	31-Oct-22	**30-Nov-22**	30-Nov-22	**31-Dec-22**	31-Dec-22	**31-Jan-23**	31-Jan-23	**28-Feb-23**	28-Feb-23	**31-Mar-23**
1 Active	6137	**6173**	6173	**6289**	6289	**6371**	6371	**6420**	6420	**6439**	6439	**6509**
2 Undecided leaver	1113	**1102**	1102	**1092**	1092	**1081**	1081	**1092**	1092	**1096**	1096	**1096**
4 Deferred pensioner	6356	**6369**	6369	**6387**	6387	**6385**	6385	**6403**	6403	**6423**	6423	**6443**
5 Pensioner	5180	**5210**	5210	**5218**	5218	**5234**	5234	**5248**	5248	**5269**	5269	**5282**
6 Widow/dependant	731	**731**	731	**730**	730	**732**	732	**729**	729	**733**	733	**737**
9 Frozen refund	1061	**1065**	1065	**1062**	1062	**1064**	1064	**1060**	1060	**1067**	1067	**1068**
Total membership	20578	**20650**	20650	**20778**	20778	**20867**	20867	**20952**	20952	**21027**	21027	**21135**
3 Leaver - no liab	9899	**9915**	9915	**9933**	9933	**9941**	9941	**9958**	9958	**9981**	9981	**10005**
7 Death	4795	**4813**	4813	**4838**	4838	**4848**	4848	**4876**	4876	**4895**	4895	**4903**
8 Opt out within 3 mths	3105	**3126**	3126	**3140**	3140	**3145**	3145	**3159**	3159	**3161**	3161	**3175**
Total on stats report	38377	**38504**	38504	**38689**	38689	**38801**	38801	**38945**	38945	**39064**	39064	**39218**

4. Regulatory Compliance

There have been no breaches logged since 1st April 2022.

4.1 The Pensions Ombudsman

The Pensions Ombudsman is an independent organisation set up to investigate complaints about pension administration.

When a member has tried to resolve a problem with the London Borough of Bromley regarding their pensions and isn't satisfied with the outcome, they can contact the Pensions Ombudsman for support and advice.

When a complaint is submitted to the Pensions Ombudsman, the London Borough of Bromley will be notified and rigorous procedure has been set up to deal with the complaint.

5. Liberata's Cyber Security measures

5.1 Disaster Recovery (DR)

This annual DR test is undertaken to comply with Trustmarque's contractual obligations to Liberata. The test deals with recovery of data via Trustmarque's Cloud Infrastructure in situ at the Studley Recovery facility. The DR test will include total loss of the Altair Pension Database.

Once the infrastructure in scope has been successfully recovered, network connectivity to the recovered environment will be established to enable remote testing by nominated client end users. Test objectives below have been submitted and testers shall be based in their client service sites as in the live production environment.

Test Objective	Process tested
1	Access to the Altair Pension Database
2	To be able to run calculation within Altair
3	To be able to produce letters via Altair
4	The ability to view scanned documents held on member's record on Altair
5	Connect to Resourcelink
6	Connect to I-Trent
7	Add a printer and print documents locally
8	Access to Pensions and Windows profiles shared Network Drive or equivalent
9	Able to access the Bromley Pensions, and Bromley Pensions (pensions@bromley.gov.uk)

After testing has been completed, a report is produced to confirm disaster recovery contingency plan was successful.

5.2 Communications

Communications regarding Cyber Security are shared regularly with Liberata's staff members, including information on GDPR, phishing emails, data protection, and communication. Staff members are required to take a small test every two/four weeks to ensure they are aware of the potential risks and understand what procedure they need to take in the event of a cyberattack or data breach.

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Appendix 2

LONDON BOROUGH OF BROMLEY

PERFORMANCE MONITORING REPORT

2023-2024

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Appendix 2 provides tables for performance of key work items and customer feedback. The achievements against the performance indicators, customer feedback and the relatively small number of complaints indicate generally that the service standards are strong.

The significant tasks completed by Liberata since 1 April 2023 are:

End of Year Returns - Liberata are uploading the data from the end of year returns; there are a few returns missing so are currently issuing chaser emails to the employers concerned.

MSS - Liberata are currently testing the MSS and have a meeting scheduled for 13 June 2023 to discuss the launch and function of MSS with Bromley client side.

Annual Pension Increase Exercise - the pension increase has been applied to Altair for pensioner and deferred members.

Active and Deferred Annual Benefits Statements - these have been produced and were despatched during the middle of September 2023.

FRS 101 - the data for Academies has been provided to LBB for submission to the Actuary.

Annual Allowance - all annual allowance calculations will have been checked and statements have been issued by 5 October 2023 deadline.

2. Performance Monitoring

In order to provide a greater understanding of the key transactions completed in the period, the following tables provide some key performance data.

2.1 Key Performance Indicators (KPI)

A breakdown of the Process Cycle Times for general queries (excluding deaths; retirements and transfers which are covered later) is below:

Correspondence

All Written Correspondence replied to within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	53	61	37	35	61	85						
<=10 days	53	61	37	35	61	85						
%<=10 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Deferred Benefits

All Deferred Benefits processed within 15 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	28	33	52	40	51	37						
<=15 days	28	31	52	39	50	33						
%<=15 days	100	94	100	98	98	89						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Estimates

All Estimates processed within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	15	22	32	24	18	22						
<=10 days	15	22	29	24	18	19						
%<=10 days	100	100	91	100	100	86						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

AVC / Added Years / ARCs

AVC, Added Years and ARCs Actuals within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	0	1	0	0	0	0						
<=10 days	0	1	0	0	0	0						
%<=10 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Starters

Starter Cases within 20 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	95	79	67	76	92	104						
<=20 days	95	79	67	76	91	99						
%<=20 days	100	100	100	100	99	95						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Combining

Combining Cases within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	3	2	6	2	7	6						
<=10 days	3	2	6	2	7	6						
%<=10 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Opt Out

Process Opt out Cases within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	11	11	8	7	4	9						
<=10 days	11	11	8	7	4	9						
%<=10 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Refunds

All Refunds to be processed within 10 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	9	13	24	18	15	17						
<=10 days	7	13	24	18	15	17						
%<=10 days	78	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Redundancy

All Redundancies to be processed within 5 days

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	0	0	0	0	3	0						
<=5 days	0	0	0	0	3	0						
%<=5 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.2 Retirements

In the year to 30 September 2023, there were 149 retirement grants paid, of which 147 were met in the KPI target. This is equivalent to a performance standard level of 99%.

A breakdown of the Process Cycle Times for retirements is below:

Retirement Notification

Issue of Retirement documentation 10 days before retirement or on notification of retirement, whichever is the later.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	23	21	24	30	30	21						
<=10 days	23	21	23	30	29	21						
%<=10 days	100	100	96	100	97	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Retirement Grants

All Retirement Grants to be paid 10 days from date of retirement or notification of retirement, whichever is the later.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	23	21	24	30	30	21						
<=10 days	23	21	23	30	29	21						
%<=10 days	100	100	96	100	97	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Retirement Pension Paid

All Retirement Pension Paid to be paid 10 days from date of retirement or notification of retirement, whichever is the later.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	23	21	24	30	30	21						
<=10 days	23	21	23	30	29	21						
%<=10 days	100	100	96	100	97	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.3 Transfers

In the year to 30 September 2023, there were 15 enquiries in relation to transferring in, of which 14 were met in the KPI. This is equivalent to a performance standard level of 93%.

There were 28 enquiries in relation to transferring out, of which 25 were met within the KPI. This is equivalent to a performance standard level of 89%.

A breakdown of the Process Cycle Times for transfers is overleaf:

Transfer-In Quote

All Transfer-in quotations to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	8	3	0	2	1	1						
<=10 days	8	3	0	2	1	0						
%<=10 days	100	100	100	100	100	0						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-In Request Payment

Request Transfer in Payments Transfer-in payments within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	1	1	0	1	1	0						
<=10 days	1	1	0	1	0	0						
%<=10 days	100	100	100	100	0	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-In Payment

All Transfer-in payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	0	0	3	1	3	1						
<=10 days	0	0	3	0	2	1						
%<=10 days	100	100	100	0	67	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-In Quote

All Interfund-in quotations to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	3	5	3	11	12	10						
<=10 days	3	4	3	9	12	10						
%<=10 days	100	80	100	82	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-In Request Payment

Request Interfund-in payments within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	1	2	2	5	4	5						
<=10 days	1	2	2	5	4	5						
%<=10 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-In Payment

All Interfund-in payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	4	5	7	4	6	5						
<=10 days	3	5	7	3	6	5						
%<=10 days	75	100	100	75	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-Out Quote

All Transfer-out quotes to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	2	8	2	5	7	4						
<=10 days	2	5	2	5	7	4						
%<=10 days	100	62	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Transfer-Out Payment

All Transfer-out payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	0	1	0	0	2	1						
<=10 days	0	1	0	0	2	1						
%<=10 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-Out Quote

All Interfund-out quotations to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	4	6	11	26	19	18						
<=10 days	4	5	10	23	19	13						
%<=10 days	100	83	91	88	100	72						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Interfund-Out Payment

All Interfund-out payments to be processed within 10 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	5	11	12	4	8	5						
<=10 days	5	9	12	3	8	2						
%<=10 days	100	82	100	75	100	40						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.4 Deaths

In the year to 30 September 2023, there were 69 death cases, of which 69 were processed in the KPI. This is equivalent to a performance standard level of 100%.

A breakdown of the Process Cycle Times for deaths is below:

Death - Initial Acknowledgement Letter

All Death benefits notified within 5 days of notification

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	10	24	14	13	7	25						
<=5 days	10	24	14	13	7	25						
%<=5 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Deaths - Processed

All Death benefits processed within 5 days of receipt of necessary information

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	14	8	9	5	15	18						
<=5 days	14	8	9	5	15	18						
%<=5 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

Deaths - Death Grant Payment

All Death Grants processed within 5 days of receipt of necessary information

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Processed	4	1	2	1	3	1						
<=5 days	4	1	2	1	3	1						
%<=5 days	100	100	100	100	100	100						
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.5 Complaints

Customer satisfaction is monitored through the volume of repeat enquiries and complaints.

I set out below the complaints recorded since 1st April 2023:

Month	Member Complaint	Justified (Y/N)
April	*None*	
May	*None*	
June	*None*	
July	*None*	
August	*None*	
September	Time delay for payment of refund of contributions	1
	Total Complaints in 2023-24	**1**

3. Analysis of Fund membership data

The table below shows the latest membership data, as at 30 September 2023 and for the preceding months:

(taken from Membership Analysis Report - Excludes Councillors

Date of Report	14-Apr-23	10-May-23	05-Jun-23		07-Jul-23		07-Aug-23					
Status as at	**31-Mar-23**	**30-Apr-23**	**30-Apr-23**	**31-May-23**	**31-May-23**	**30-Jun-23**	**30-Jun-23**	**31-Jul-23**	**31-Jul-23**	**31-Aug-23**	**31-Aug-23**	**30-Sep-23**
1 Active	6509	**6509**	6509	**6499**	6499	**6462**	6462	**6460**	6460	**6155**	6155	**6208**
2 Undecided leaver	1096	**1093**	1093	**1084**	1084	**1080**	1080	**1113**	1113	**1425**	1425	**1387**
4 Deferred pensioner	6443	**6461**	6461	**6473**	6473	**6524**	6524	**6533**	6533	**6552**	6552	**6591**
5 Pensioner	5282	**5277**	5277	**5278**	5278	**5293**	5293	**5310**	5310	**5321**	5321	**5336**
6 Widow/dependant	737	**737**	737	**739**	739	**742**	742	**741**	741	**732**	732	**728**
9 Frozen refund	1068	**1071**	1071	**1089**	1089	**1099**	1099	**1103**	1103	**1119**	1119	**1114**
Total membership	**21135**	**21148**	21148	**21162**	21162	**21200**	21200	**21260**	21260	**21304**	21304	**21364**
3 Leaver - no liab	10005	**10016**	10016	**10043**	10043	**10070**	10070	**10090**	10090	**10119**	10119	**10143**
7 Death	4903	**4939**	4939	**4972**	4972	**4983**	4983	**5000**	5000	**5018**	5018	**5037**
8 Opt out within 3 mths	3175	**3188**	3188	**3194**	3194	**3204**	3204	**3216**	3216	**3223**	3223	**3239**
Total on stats report	39218	**39291**	39291	**39371**	39371	**39457**	39457	**39566**	39566	**39664**	39664	**39783**

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4. Regulatory Compliance

There have been no breaches logged since 1st April 2023.

4.1 The Pensions Ombudsman

The Pensions Ombudsman is an independent organisation set up to investigate complaints about pension administration.

When a member has tried to resolve a problem with the London Borough of Bromley regarding their pensions and isn’t satisfied with the outcome, they can contact the Pensions Ombudsman for support and advice.

When a complaint is submitted to the Pensions Ombudsman, the London Borough of Bromley will be notified and rigorous procedure has been set up to deal with the complaint.

5. Liberata's Cyber Security measures

5.1 Disaster Recovery (DR)

This annual DR test is undertaken to comply with Trustmarque's contractual obligations to Liberata. The test deals with recovery of data via Trustmarque's Cloud Infrastructure in situ at the Studley Recovery facility. The DR test will include total loss of the Altair Pension Database.

Once the infrastructure in scope has been successfully recovered, network connectivity to the recovered environment will be established to enable remote testing by nominated client end users. Test objectives below have been submitted and testers shall be based in their client service sites as in the live production environment.

Test Objective	Process tested
1	Access to the Altair Pension Database
2	To be able to run calculation within Altair
3	To be able to produce letters via Altair
4	The ability to view scanned documents held on member's record on Altair
5	Connect to Resourcelink
6	Connect to I-Trent
7	Add a printer and print documents locally
8	Access to Pensions and Windows profiles shared Network Drive or equivalent
9	Able to access the Bromley Pensions, and Bromley Pensions (pensions@bromley.gov.uk)

After testing has been completed, a report is produced to confirm disaster recovery contingency plan was successful.

5.2 Communications

Communications regarding Cyber Security are shared regularly with Liberata's staff members, including information on GDPR, phishing emails, data protection, and communication. Staff members are required to take a small test every two/four weeks to ensure they are aware of the potential risks and understand what procedure they need to take in the event of a cyberattack or data breach.

Report No.
CSD23133

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**LOCAL PENSION BOARD**
Date:	**25 October 2023**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**BROMLEY COMMUNICATIONS POLICY**
Contact Officer:	Martin Doyle – Head of Pensions Shared Service Tel No: 020 8871 6522 E-mail: martin.doyle@richmondandwandsworth.gov.uk
Chief Officer:	Director of Finance
Ward:	Borough Wide

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1. Reason for report

1.1 The Local Government Pension Scheme Regulations 2013 (LGPSR) require the Fund to prepare, maintain and publish a statement setting out its policy concerning communications with scheme members and employers. Regulation 61 of the LGPSR states that the policy must be revised following a material change in policy, that of the provision of information and publicity about the scheme. With the development of Member Self Service and the upcoming introduction of the Pensions Administration Strategy, the Communications Policy Statement has been reviewed by the Head of Pensions Shared Service.

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2. RECOMMENDATIONS

2.1 Members of the Local Pension Board are asked to consider, comment and note the updated Communications Policy Statement (see Appendix 1):

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A

Corporate Policy

1. Policy Status: Existing Policy. The Council's pension fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.
2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: No Cost
2. Ongoing costs: TBC
3. Budget head/performance centre: Pension Fund
4. Total current budget for this head: TBC
5. Source of funding: Contributions to Pension Fund

Personnel

1. Number of staff (current and additional): The Local Pension Board comprises of 2 Employer Representatives and two Member Representatives. The Board is supported by the Head of Pensions Shared Service.
2. If from existing staff resources, number of staff hours: N/A

Legal

1. Legal Requirement: Statutory Requirement Local Government Pension Scheme Regulations 2013 (as amended).
2. Call-in: Not Applicable: No Executive decision.

Procurement

1. Summary of Procurement Implications: N/A

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,208 current active members, 7,978 deferred pensioners and 6,064 pensioner members (for all employers in the Fund) as at 30 September 2023.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Reviewing these documents will assist the scheme manager in ensuring the efficient governance and administration of the Scheme. With regard to any comments that the Local Pension Board may have on any other papers on this agenda, it is proposed that these be notified to the next Pensions Committee.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.

5. FINANCIAL IMPLICATIONS

5.1 None arising from directly from this report.

6. LEGAL IMPLICATIONS

6.1 The Public Service Pensions Act 2013 provides primary legislation for all public service schemes including the LGPS 2014.

Non-Applicable Sections:	Procurement/Personnel Implications and Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Public Service Pensions Act 2013; Local Government Pension Scheme Regulations 2013 (as amended); Code of Practice 'Governance and Administration of Public Service Pension Schemes' The Pensions Regulator Engagement Report "Governance and administration risks in public service pension schemes"

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THIS IS THE COMMUNICATIONS POLICY OF THE LONDON BOROUGH OF BROMLEY

1. The Bromley Pension Fund (the Fund) is required by regulation 61 of the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations 2013) to maintain and publish a communications policy statement. The LGPS is also subject to the regulatory oversight of the Pensions Regulator who has provided guidance in Code of Practice 14 on providing good quality communications to Scheme members and other stakeholders. Regulation 61 is reproduced below: -

“Statements of policy concerning communications with members and Scheme employers

61. — (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with

a) members;
b) representatives of members;
c) prospective members; and
d) Scheme Employers.

(2) In particular the statement must set out its policy on -

a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme Employers;
b) the format, frequency and method of distributing such information or publicity; and
c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).”

2. Who We Communicate With

- Scheme Members (Current, Deferred, Pensioner, Dependant)
- Representatives of Scheme Members
- Prospective Scheme Members
- Human Resources Services (HR) and Service Managers
- Scheme Employers
- Elected Members of the Pensions Committee
- Local Pension Board (LPB)
- External bodies:
    - Her Majesty’s Revenue & Customs (HMRC)
    - Department for Levelling Up, Housing & Communities (DLUHC)
    - Trades Unions
    - Pension Fund Investment Managers, Advisers and Actuaries
    - Pension Fund Custodian
    - The Pensions Regulator (tPR)

- The Scheme Advisory Board (SAB)
- The Local Government Association (LGA)
- Department of Work and Pensions (DWP)
- Pension Officers' Groups
- Pensions and Lifetime Savings Association (PLSA)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Pension administration software platform provider

The Fund's pension administration function is undertaken by the Liberata UK Ltd (Liberata) and Liberata is mainly responsible for communicating with the scheme members in line with this Communications Policy together with other responsible senior officers of Bromley Council.

Key objectives

To ensure the Fund delivers clear, timely and accessible communication with a broad range of stakeholders. To achieve this, the Fund will:

- Communicate information about the Scheme's rules and regulations in an effective, friendly and timely manner to the different groups of stakeholders;
- Inform customers and stake holders to enable them to make the decisions regarding pension matters;
- Inform customers and stakeholders about the management and administration of the Fund;
- Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders;
- Support employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the scheme;
- Seek continuous improvement in the way the Fund communicates.

Accessibility

The Fund is committed to ensuring communications are accessible to all stakeholders and is committed to develop further use of electronic means of communicating through e-mail and our websites (including Member Self Service). Wherever possible, responses are sent to stakeholders by electronic means. However, more traditional methods of communications will continue to be offered as required.

3. Methods of Communication – Scheme Members and Prospective Members

(a) Website
Our website (https://www.bromley.gov.uk/lgps) contains details of the Scheme together with newsletters, information guides and forms to download and print. Scheme information is also available online via the LGA's national website at www.lgpsregs.org/ and www.lgpsmember.org/ All prospective Scheme members are directed to these online resources.

(b) Member Self Service (MSS)
MSS is a secure portal that allows members to see the personal details we hold about them. They can also update information such as their death grant expression of wish and use a calculator to estimate their retirement benefits. Contributing and deferred members can view their annual pension statements. Members can send questions and queries to us using MSS, and Liberata will respond to them by email or another method as requested.

(c) Member Support
Scheme members can contact Liberata by telephone on 020 8603 3429 between 9:00am and 5.00pm Monday to Friday. Or email: pensions@bromley.gov.uk

The Liberata also arranges webinars for members in conjunction with employers to promote understanding of the scheme.

(d) Benefit Statements
Annual benefit statements for active and deferred members are currently posted to members with the aim of solely publishing on MSS after notice is given to members.

(e) Pay advice slips / P60s

Pay advice slips are provided to pensioner members if a material difference of £10.00 and a form P60 is sent annually.

(f) Annual pensions increase advice
A statement setting out increases to pensions is sent to pensioners annually in March/April by Liberata. 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.

(f) Report and Accounts

The Pension Fund Annual Report is produced and available to all Scheme members at https://www.bromley.gov.uk/downloads/download/419/london-borough-of-bromley-pension-fund-annual-report The report includes details of the Pension Fund Accounts, the Pension Fund investment performance, the Fund's policies on Governance, Investment Strategy, Funding Strategy and its Communications Statement.

(h)Performance Monitoring
Liberata is committed to continuous service improvements. It monitors its performance and reports this monthly. Performance achievements are published in the Pension Fund Annual Report and reported to senior officers at Bromley Council each month and to the LPB at each meeting.

Communicating with Representatives of Scheme Members

The range of information and ways of communicating that is available to Scheme members is also available to their representatives (except for any in-house training).

Communicating with Prospective Scheme Members

The range of information and ways of communicating that is available to Scheme members is also available to employees who are not currently members of the Scheme but may be considering joining (including any in-house training).

Communicating with Human Resources and Scheme Employers

Bromley Council is the main employer in the Fund. Scheme employers are informed of changes to the scheme, policies and procedures by Liberata.

Communicating with Elected Members

Scheme information and data is provided to Elected Members of the Pensions Committee, so they may effectively perform their duties and responsibilities.

Communicating with the Local Pension Board

Scheme information and data is provided to members of the LPB, so they may effectively perform their duties and responsibilities and comply with the governance requirements of the Scheme and the Pension Regulator's Code of Practice 14.

Communicating with External Bodies

Any requests for information or data will be responded to as and when required.

Review of the Communications Policy

This Communications Policy will be reviewed every 3 years or as necessitated by a material change in circumstances and updated where there are significant changes to be made.

v. September 2023

Summary of Communication Material

Communication Document	When Made Available	Available To	Format	When Reviewed
Guide to the Local Government Pension Scheme Guide	Before commencing employment / On leaving / When requested	Prospective / Active / Deferred members	Paper (if requested) / Liberata & National Member's Website / Intranet	As regulations change or annually
Joining the LGPS – Transfer of Pension Rights from other schemes	Before commencing employment / When requested	Prospective / Active Members	Paper / Liberata & National Member's Website / Intranet	As regulations change or annually
Leaving Pensionable Employment – A Guide to Your Pension Options	On leaving the Scheme before retirement age	Active / Deferred members	Paper / Liberata & National Member's Website / Intranet	As regulations change or annually
Pay Advice Slips	As per Payroll agreements	Pensioner Members	Paper	Annually
Form P60	Annually	Pensioner Members	Paper	Annually
Newsletters	Annually	Prospective / Active / Pensioner Members	Paper / Liberata & National Member's Website/ Intranet / Audiotape	Biannually / As required
Statutory Statements	On Request	All	Paper / Liberata & National Member's Website/ Intranet	Annually / As required
Pension Fund Report and Accounts	Annually	All	Paper / Liberata & National Member's Website / Intranet	Annually

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