BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333
CONTACT: Kerry Nicholls
kerry.nicholls@bromley.gov.uk

DIRECT LINE: 020 8461 7840
FAX: 020 8290 0608

THE LONDON BOROUGH
www.bromley.gov.uk

DATE: 21 February 2024

To: Members of the
LOCAL PENSION BOARD

Employer Representatives
Emma Downie
David Kellond

Member Representatives
Lesley Rickards
Gill Slater

A meeting of the Local Pension Board will be held on **THURSDAY 29 FEBRUARY 2024 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 25 OCTOBER 2023** (Pages 1 - 4)

5 **MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 14 DECEMBER 2023** (Pages 5 - 14)

6 **REPORT FROM THE PENSIONS COMMITTEE** (Pages 15 - 68)

7 **PERFORMANCE MONITORING REPORT 2023/24 TO JANUARY 2024** (Pages 69 - 92)

8 **PENSIONS ADMINISTRATION STRATEGY REPORT** (Pages 93 - 110)

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

10 **ANY OTHER BUSINESS**

11 **DATE OF NEXT MEETING**

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

The Chairman to move that the Press and public be excluded during consideration of the items of business listed 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.

	Items of Business	Schedule 12A Description
13	**PART 2 (EXEMPT) MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 14 DECEMBER 2023** (Pages 111 - 112)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

LOCAL PENSION BOARD

Minutes of the meeting held at 3.00 pm on 25 October 2023

Present:

Lesley Rickards (Board Member, in the Chair)
David Kellond and Gill Slater

Also Present:

Carrie Adubufour, Martin Doyle, Dan Parsons and Kerry Nicholls

13 APPOINTMENT OF CHAIRPERSON

The Board appointed Lesley Rickards as Chairperson for the meeting.

RESOLVED: That the Local Pension Board appoint Lesley Rickards as Chairperson for the meeting.

14 APOLOGIES FOR ABSENCE

Apologies for absence were received from Emma Downie.

15 DECLARATIONS OF INTEREST

David Kellond declared that he was a deferred member of the Bromley Pension Scheme.

Gill Slater declared that she was a trade union representative for Unite.

16 MINUTES OF THE MEETING HELD ON 27 JUNE 2023

RESOLVED: That the minutes of the meeting held on 27 June 2023 be agreed.

17 MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 11 SEPTEMBER 2023

RESOLVED: That the minutes of the meeting of the Pensions Committee held on 11 September 2023 be noted.

18 REPORT FROM THE PENSIONS COMMITTEE Report CSD23131

The Board considered a report presenting reports reviewed at the meeting of the Pensions Committee on 11 September 2023 including the LPGS consultation response, the report on Pension Fund Performance Q1 2023/24 and its appendices, Apex (formerly MJ Hudson) Q1 2023/24 report and key developments in the Local Government Pension Scheme, and the Pension Fund Annual Report and Draft Accounts 2022/23.

The Head of the Pensions Shared Service advised that the Pensions Committee had discussed and agreed the Local Authority's response to the Government consultation on accelerating collective pooling of Pension Fund assets, Levelling Up and Private Equity Investments. Whilst regional pooling could be beneficial, as seen in the recent transfer of the Local Authority's existing investment with Baillie Gifford to the London Collective Investment Vehicle which had secured a reduction in fees, a number of concerns had been identified by the Pensions Committee. This included additional fees created by transferring funds as well as asset ownership of pools held within pools. The Pensions Committee had also raised concerns around the proposed timescales for collective pooling which it was proposed be introduced in 2025. This was a midway point in the triennial valuation period for the Bromley Pension Fund and was therefore likely to create logistical difficulties. In considering other actions at this meeting, the Pensions Committee had agreed the transfer of 5% or £65M from the Baillie Gifford Equity portfolio. These funds, previously managed through the London Collective Investment Vehicle, had been moved into a Short-Dated UK Corporate Bond fund managed by Fidelity with a view to benefitting from the increase in global interest rates and the Director of Finance had negotiated a reduction in fees for this transfer with Fidelity. The Pensions Committee had also considered and approved the Pension Fund Annual Report 2022/23 and draft accounts which had subsequently been signed off.

The Board went on to discuss the role of the Local Pension Board which was to scrutinise the governance of the Bromley Pension scheme, including ensuring that the Pensions Committee considered all relevant issues, risks and requirements in its decision making, with due regard to appropriate advice. In considering Environmental, Social and Governance, a Board Member highlighted the need for greater transparency in the area of climate and climate reporting. The Head of the Pensions Shared Service confirmed that the Pension Schemes Act 2021 required schemes to adopt and report against the Taskforce on Climate-related Financial Disclosures recommendations from December 2025. The Board Member queried whether there was a requirement for pensions fund investments to be made in line with the Paris Agreement on climate change and was advised that that the Local Authority was required to report around Carbon Dioxide emissions. The Board Member underlined the importance of environmentally responsible investments that were in the best long-term interests of Pension Scheme members and the Senior Accountant (Pensions) explained that the Local Authority used its position as a stakeholder in the companies it invested in to change behaviour, including around environmental practices. The Board Member requested that more focus be placed on climate risk within future reporting and the investment strategy, and further guidance on climate reporting would be sought from the Senior Advisor: Apex Group Ltd following the meeting.

RESOLVED: That the Local Pension Board note the reports considered at the meeting of the Pensions Committee held on 11 September 2023.

19 PERFORMANCE MONITORING REPORT 2023/24 TO 25 OCTOBER 2023
Report CSD21132

The Board considered the Performance Monitoring Report for the 2023/24 financial year to 25 October 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.

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.**

20 BROMLEY COMMUNICATIONS POLICY
Report CSD23133

The Board considered the updated Bromley Communications Policy which set out the policy for communicating with members and employers within the Bromley Pension Scheme. The policy had been updated to reflect material changes in policy following the development of Member Self Service and the upcoming introduction of the Pensions Administration Self Service.

A Board Member underlined the importance of transparency including communicating the type and return of investments to members of the Bromley Pension Scheme and the Head of the Pensions Shared Service confirmed that this information was included in the Pension Fund Annual Report.

RESOLVED: That the updated Bromley Communications Policy be noted.

21 LOCAL PENSION BOARD - VERBAL UPDATE ON LATEST LGPS MATTERS

The Board received a presentation from the Head of the Pensions Shared Service on the latest matters related to the Local Government Pension Scheme.

Member Self Service had recently been launched and enabled members of the Bromley Pension Scheme to view and engage with their pension account. Work was ongoing to introduce the i-Connect secure platform that would automate the submission of pension data, and this would have a number of benefits including monthly updates and direct data transfer. Work was also underway to develop a Pensions Administration Strategy for the Bromley Pension Scheme and further details would be reported to the next meeting of the Local Pension Board.

In response to a question from a Board Member, the Head of the Pensions Shared Service confirmed that the McCloud remedy which removed the age discrimination judged within public sector pension schemes as a result of allowing older members to remain in legacy schemes had now become law. The bulk updating of Bromley Pension Scheme member records was complete and work was ongoing to embed the new legal requirement in Bromley systems and processes, including Liberata staff training.

RESOLVED: That the update be noted.

22 ANY OTHER BUSINESS

A pensions training event was scheduled for Saturday 2 December 2023 and all Board Members were encouraged to attend.

23 DATE OF NEXT MEETING

The Committee agreed that a further Board meeting be scheduled for early 2024.

The Meeting ended at 4.05 pm

Chairman

PENSIONS COMMITTEE

Minutes of the meeting held at 7.00 pm on 14 December 2023

Present:

Councillor Keith Onslow (Chairman)
Councillor Kira Gabbert (Vice-Chairman)
Councillors Josh Coldspring-White, Robert Evans, Julie Ireland, David Jefferys, Christopher Marlow and Chris Price

Also Present:

John Arthur, Apex Group Ltd

27 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors Simon Fawthrop, Simon Jeal and Sam Webber and Councillors Robert Evans, Chris Price and Julie Ireland attended as their respective substitutes. Apologies for absence were also received from Councillor Ruth McGregor.

The Chairman led Members in welcoming Councillor Josh Coldspring-White who had been appointed to the Committee.

28 DECLARATIONS OF INTEREST

There were no additional declarations of interest.

29 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

One question for oral reply and three questions for written reply were received at the meeting. A copy of those questions, together with the Chairman's response can be viewed at Appendix A to these Minutes.

30 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 11 SEPTEMBER 2023, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED: That the minutes of the meeting held on 11 September 2023 be approved.

31 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

RESOLVED: That matters outstanding be noted.

32 PRESENTATION FROM MFS

The Committee received a presentation from MFS representatives, Paul Fairbrother, ASIP, Equity Institutional Portfolio Manager and Elaine Alston, Managing Director – Institutional Relationship Management providing an investment update on the London Borough of Bromley Fund.

In considering the presentation, the Chairman was pleased to note that key characteristics of MFS's investment strategy included being defensive and generating cashflow which was a satisfactory approach for the Bromley Pension Scheme that helped to minimise risk. The Chairman queried whether a recession was likely in the short- to medium-term and the Portfolio Manager advised what whilst MFS did not try to predict such turning points, the consensus view of much of the industry was that there would be a recession but that it would be shallower than previously anticipated. It was likely that interest rates would reduce during the course of the year, and this would help stimulate growth. In response to a follow-up question from a Member, the Portfolio Manager agreed that some companies could be said to be displaying exuberance as a result of recent growth and that this was at variance to MFS's value-style approach to investment that was primarily based on business durability and valuation.

A Member asked about the time spent considering effective tax rates and the Portfolio Manager explained that MFS tried to normalise tax rates. Any advantage secured by companies based in low tax regimes would likely be finite in the challenging economic climate where a medium- to long--term trend towards higher interest rates and higher taxes was anticipated. In response to another Member's question on MFS's approach to exchange rates and currencies, the Portfolio Manager confirmed that MFS generally chose not to hedge currencies with a significant proportion of its Portfolio holdings listed in the UK even where revenue was earned elsewhere. Another Member asked how performance would look without the Mega 7 stocks that had driven growth in the United States and the Portfolio Manager advised that just over half of the gap between MFS's performance and that of the Index was caused by the Mega-Cap effect both in terms of the relative growth and the value of stock. The Member went on to ask about the investment in Taiwan Semiconductor Manufacturing Company Limited and queried if there were any concerns over geopolitical risk. The Portfolio Manager clarified that this investment only formed a small proportion of the overall fund, and that risk was mitigated in part by the company's investment in other parts of the world, including the United States and Germany. MFS did not invest in many emerging markets and where it did, it tended to invest in diversified global businesses that were western-listed companies.

The Senior Advisor: Apex Group Ltd noted that an interesting question on climate change and disinvestment had been put to the Committee earlier in the meeting and asked for the Portfolio Manager's view on this. The Portfolio Manager was pleased to announce that MFS was committed to be 100% Net Zero by 2050 and 90% by 2030, with 80% of its Portfolio already having evidence of a Net Zero Plan. MFS was actively engaging with the remaining

12% to support it towards putting a Net Zero Plan in place and would continue to engage and seek positive change in companies in which it was invested, which would not be possible if it chose to divest such stocks.

The Chairman thanked the representatives of MFS for their excellent presentation.

RESOLVED: That the presentation from MFS be noted.

33 PENSION FUND PERFORMANCE Q2 2023/24 Report FSD23081

The report provided a summary of the investment performance of Bromley's Pension fund in Quarter 2 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.

The Committee received an update from the Senior Advisor: Apex Group Ltd who suggested three possible outcomes to the current economic situation. This comprised a slowing of United States economy as interest rate rises took effect; that economic growth in the United States would continue and prompt further raising of interest rates; or that something would break creating a highly destabilising investment environment. The Chairman queried what action the Committee could take to protect against any such destabilisation and the Senior Advisor: Apex Group Ltd observed that the recent transfer of 5% or £65M from the Baillie Gifford Global Equity Portfolio into a Short-Dated UK Corporate Bond fund to rebalance the Bromley Fund's tactical asset allocation nearer to the Strategic Asset Allocation Benchmark had helped mitigate the potential risk. The contrasting investment strategies of MFS and Baillie Gifford also provided a key balancing factor in what was an increasingly volatile economic environment. A Member expressed concern at potential overlap between the MFS and Baillie Gifford Portfolios and the Senior Advisor: Apex Group Ltd agreed to undertake an analytical exercise to identify the level of overlap between the two Portfolios as well as relative performance against the benchmark to be reported to a future meeting of the Pensions Committee. The Member also requested that further details on the investment in Taiwan Semiconductor Manufacturing Company Limited be included in the next quarterly report with the geopolitical risk flagged on the risk register.

A Member was concerned about Baillie Gifford's recent performance and voiced their increasing scepticism about Baillie Gifford's approach to investing what was the Bromley Pension Scheme's biggest fund. The Senior Advisor: Apex Group Ltd emphasised Baillie Gifford's strong investment philosophy and process, including in the area of Environmental, Social and Governance. Close scrutiny would be placed on Baillie Gifford's performance moving forward by both the Local Authority and the London Collective Investment Vehicle in which this investment was held. Baillie Gifford could also be invited to attend meetings of the Pension Committee whenever it was felt that additional scrutiny was needed. The Senior Advisor: Apex Group Ltd further suggested that moving forward, the Committee consider producing documentation that set out its ongoing commitment to Environmental, Social and Governance and the Chairman confirmed that the Committee would take this forward over the coming year.

The Committee went on to discuss the purpose of the investment strategy of the Bromley Pension Fund which was to secure sufficient cashflow to cover outgoing pension payments without the sale of investments and, as a fully funded Pension Scheme, alleviate any pressure on Council Tax payers by not requiring any top-up from the Local Authority's General Fund. The Chairman added that it was important to remember that the Bromley Pension Fund belonged to Scheme members, many of whom were paid modest salaries, and that the Local Authority was merely the trustee of this fund. A Member flagged that there had been an increase in staff choosing to opt-out of the Bromley Pension scheme which likely reflected the challenging economic climate. The Committee discussed the benefits of joining the Bromley Pension scheme which was a Defined Benefit Pension Scheme with a generous employer contribution, and the Member agreed to approach the Director of Human Resources about arranging a pensions seminar to encourage higher take-up. Further details about the salary bands with the highest proportion of opted-out employees would be circulated to the Committee following the meeting.

RESOLVED: That:

- **The contents of the report and appendices be noted including:**
  - **Appendix 5 which provided quarterly performance monitoring;**
  - **Appendix 6 which set out the key developments in the Local Government Pension Fund expected during the next five years; and,**
  - **Appendix 7 which set out the Climate Change Scenario report prepared by the Actuary in March 2023 as part of the triennial valuation.**
- **The existing contract with WTax UK Ltd to provide specialist tax advice be extended for a further two years from 1 April 2024 to 31 March 2026.**

34 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 Chairman advised that work was ongoing with Fidelity to address concerns around the performance of its Multi-Asset Income Funds. This would be closely monitored and Fidelity had also agreed to waive its fund management fee for the 2023/24 financial year. The Local Authority continued to strengthen its relationship with the London Collective Investment Vehicle (LCIV), including the Chairman serving on the Cost Transparency Working Group, and the LCIV had recently agreed a 10% reduction in the Development Funding Charge that would realise a saving for the Local Authority. Going forward, the Chairman had proposed that representation by London Councils on the LCIV Board be reviewed as it did not fit the current governance model and was also advocating for the formal Shareholder Committees to be abolished and replaced by a more informal arrangement to encourage greater participation and an active exchange of ideas by all London Boroughs.

The Director of Finance announced that the annual Pension seminar would take place at 7.00pm on 6 March 2024 and all Members were encouraged to attend.

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

35 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

36 PENSION FUND PERFORMANCE Q2 2023/24 - APPENDIX 8

The Committee considered Part 2 (Exempt) information for Item 7: Pension Fund Performance Q2 2023/24.

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

No Part 2 (Exempt) update was given.

The Meeting ended at 8.47 pm

Chairman

PENSIONS COMMITTEE
14 DECEMBER 2023

SPECIFIC QUESTIONS FOR ORAL REPLY

1. From Gill Slater, Local Pension Board Member to the Pensions Committee

Regarding Item 7: Pension Fund Performance Q2 2023/24:

The Mercer Report (Appendix 7) merits thorough Committee debate. A tipping point for climate scenarios highlights subsequent research stating that climate scenarios used significantly underestimate climate risk, ignoring 'tipping points', financial stability and insurance "breakdown". Will the Committee, as Mercer suggests, engage further to understand climate risks, transitional and physical, of pension scheme funding?

Reply: *The Mercer's report is part of the Pension Committee's ongoing research into the impact of climate change on the LB Bromley Pension Fund assets. It will be reviewed at the December Pension Committee meeting. The Pension Committee do believe that climate change is likely to impact financial returns into the future and will, therefore, continue to discuss this issue with the Fund's investment managers, their Independent Investment Advisor and external consultants going forward.*

Supplementary Question: At COP28, the Government explicitly recognized the loss and damage caused by fossil fuels and concluded a deal signalling the beginning of the end for fossil fuels. This Committee has the luxury and responsibility to play its part in the global transition away from fossil fuels. The ability to make a significant difference rests in the hands of a relatively select few, including you as Members of this Committee. I ask that in drafting your Responsible investment Statement for the Taskforce of Climate Related Financial Disclosure Reporting, you seize the opportunity to respond to this essential and historic shift from fossil fuels and commit to divest.

Reply: *It is interesting that you raised COP28 as only this morning I got a report back on what was actually agreed there. Sometimes when these statements are issued at the end of the COP meetings, they aren't saying much and this is the case with COP28. The report looks like a meaningless fudge with a 'get out' clause that will allow China, India and the rest of the 24-strong like-minded developing countries who vetoed the phrase out of COP26 to carry on using as much fossil fuels as they like. If the intention was to phase out fossil fuels, I think COP28 hasn't been robust enough. Regarding Taskforce of Climate Related Financial Disclosure Reporting, the Committee's Independent Investment Advisor has been doing work on this and will continue to do more with the London Collective Investment Vehicle. There are two reasons for this. Firstly, the LCIV is better resourced to deal with this on behalf of London as a whole and secondly, they are not charging for this service. Climate Related Financial Disclosure Reporting is not a statutory requirement at present but it is coming and as Chairman, I think it is important that we get ahead of the game and start producing this report before it is needed which will allow us time to ensure we address any issues. The Head of Responsible Investment at the LCIV will be attending the Pensions Committee in February to explain what they do, not just for environment but the whole of the wider Environmental Social Governance agenda.*

PENSIONS COMMITTEE
14 DECEMBER 2023

SPECIFIC QUESTIONS FOR WRITTEN REPLY

1. From Stephen Wells, Bromley resident

Regarding Item 7: Pension Fund Performance Q2 2023/24:

The attached quarterly report (Appendix 5) by Apex has a section on ESG, which looks at the narrower definitions of scope 1&2 emissions. Regularly monitoring such emissions is useful, but are there plans to reduce these over time, or have a qualitative assessment of their level and drivers?

<u>Reply:</u> *Reporting on the emission of greenhouse gasses (as defined in the Kyoto agreement) by companies is still at an early stage and the data is incomplete and can be misleading, especially, as you note, as we are unable to include scope 3 emissions at the current time with any sense of conviction in the underlying data. The Pensions Committee are working with their managers and Independent Investment Adviser to improve the quality of this data and will look to include scope 3 emissions at the earliest opportunity. In the meantime, we believe it is important to start reporting what data we have and to monitor this data going forward. Our expectation is for the level of carbon emissions made by the Fund's investments to fall over time, but we are currently wary of putting in place numeric targets for this where there are obvious data issues.*

2. From Emilie Macmullen, Bromley resident

Regarding Item 7: Pension Fund Performance Q2 2023/24:

The quarterly report doesn't document any underlying investment managers' engagements with the companies that they invest in. How are the committee monitoring such engagements with companies on ESG issues and tracking their effectiveness and does the committee engage with underlying investment managers to understand their commitment to net zero?

[NB Explanation of terminology: 'Underlying Managers' / ' Underlying Investment Managers' - Bromley doesn't directly buy companies to create a portfolio, instead, they appoint investment managers to do that with their assets. For example, it looks like Bromley either directly or indirectly (through a London Borough Common Investment Fund 'CIV') utilize the services of Ballie Gifford, MFS, Fidelity etc.]

<u>Reply:</u> *The Pension Committee receives quarterly reports from each of its underlying investment managers which detail the performance of the individual portfolio; any changes made to the holdings; the economic and market outlook and what engagement they have had with individual portfolio companies as well as their voting record. In addition to this the Committee chair, your pension officer and the Fund's Independent Investment Advisor met with each investment manager to specifically discuss their approach to climate change and how they were engaging with the*

companies held in each portfolio during the last 18 months and will repeat this cycle of meeting going forward.

2. From Parisa Wright, Bromley resident

Regarding Item 7: Pension Fund Performance Q2 2023/24:

Given the substantive risks to the potential valuation and funding of the Pension Scheme brought about by climate change highlighted in Mercer's report (Appendix 7), what measures are the committee implementing to help mitigate such risks and is the Pension Scheme aligned to the council's target of net zero by 2029?

<u>Reply:</u> *The Mercers report uses the Fund's current asset allocation but does not take into account the actions taken by the Fund and its underlying managers to include climate change in their analysis of investment risks and opportunities.*

At the Fund level, your Pension Committee has purposely selected investment managers who believe in investing for the long term. They analyse the business opportunity and risk for their investments over a multi-year future and because of this, the impact of climate change becomes a key part of their analysis. The Pension Committee look to work with these managers over the long-term and because of this can build a good understanding of each manager's investment philosophy and process and can challenge each manager as appropriate including on their assumptions on climate risk.

At the individual manager level, whilst we do not force our managers to only invest in companies which claim to be Paris Aligned, we do expect our managers to build a portfolio which is aware of the risks and opportunities presented by climate change. Whilst data on carbon emissions is still of a poor quality we do believe, where we can match the individual investment managers mandate to an index, that in each case the manager has built a portfolio which emits a lower level of carbon (and associated greenhouse gases) than its benchmark index and that this level of carbon emissions will fall over the long-term.

The Committee are conscious of the desire to align with the LBB goal, but investments have different difficulties in providing robust data, and we are pressing all our contacts for more work on this. At this time, we would not wish to give an assurance of alignment with 2029 but will continue to work towards that aim.

This page is left intentionally blank

Report No.
CSD24034

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**LOCAL PENSION BOARD**
Date:	**29 February 2024**
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

1. Reason for report

1.1 The Local Pension Board is recommended to review the minutes and reports pack extract from the meeting of the Pensions Committee held on 14 December 2023 and report any comments or concerns to the Pensions Committee's next meeting.

---

2. RECOMMENDATIONS:

2.1 Members of the Local Pension Board are asked to note and provide their comments on:

1) The minutes of the meeting of the Pensions Committee on 14 December 2023 (see Agenda Items 5 and 13); and,

2) An extract from the agenda pack of the meeting of the Pensions Committee on 14 December 2023 (Appendices 1-7 to Agenda Item 7) including:

- **Apex report on Pension Fund Performance Q1 2023/24;**
- **Key Developments In LGPS; and,**
- **Actuarial Climate Change Analysis Report from Mercers**

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): 6,387 current active members, 8,014 deferred pensioners and 6,123 pensioner members (for all employers in the Fund) as at 31 January 2024.

Ward Councillor Views

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

3. POLICY IMPLICATIONS

3.1 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.

3.2 Reviewing these documents will assist the scheme manager in ensuring the efficient governance and administration of the Scheme and ensure that the Board is fulfilling its oversight function. 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. LEGAL IMPLICATIONS

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

Non-Applicable Sections:	Procurement/Personnel/Finance Implications 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"

This page is left intentionally blank

APPENDIX 1

MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

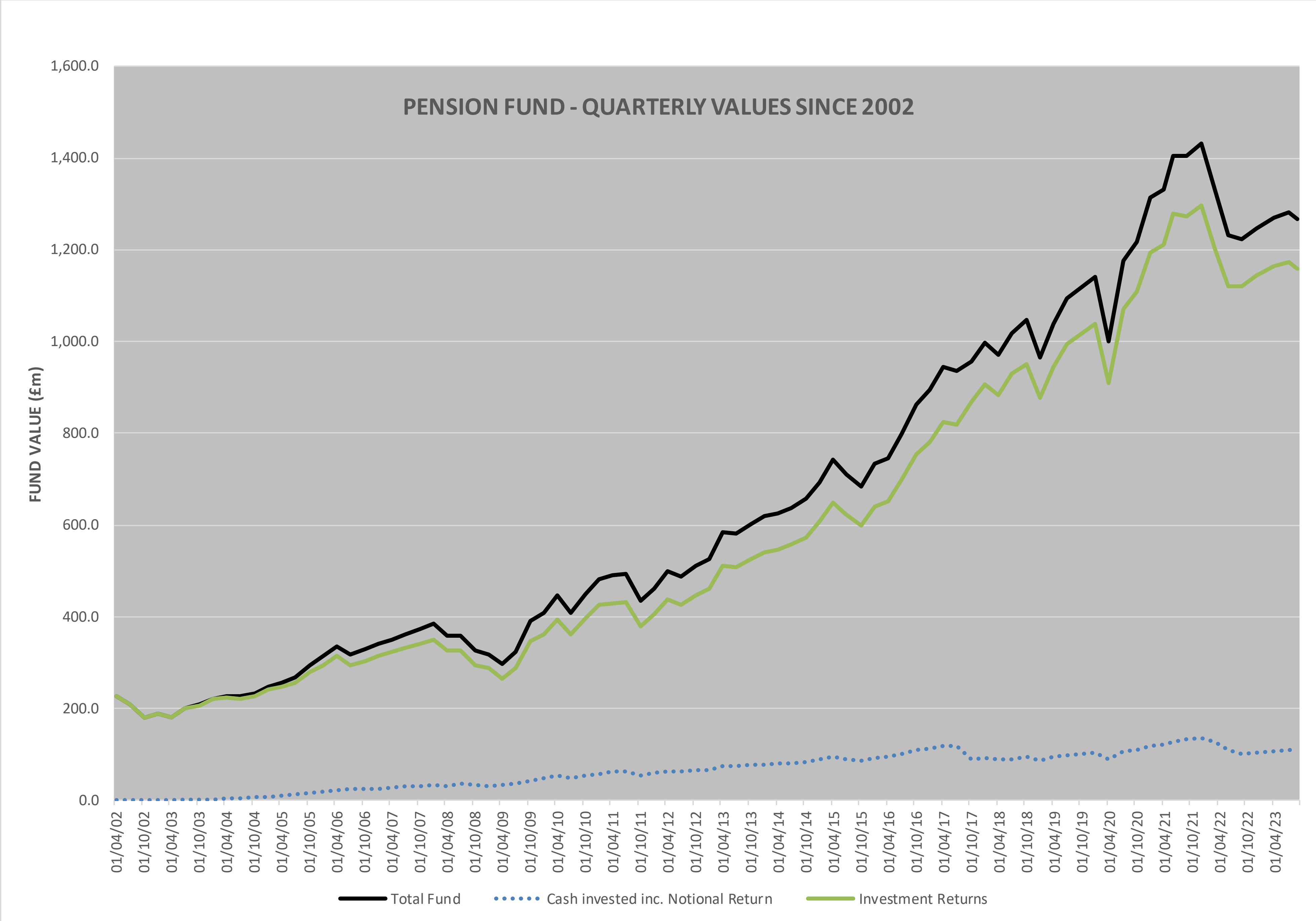
	Baillie Gifford					Fidelity							Blackrock	MFS		Schroders	CAAM	
Date	Balanced Mandate	DGF	Fixed Income	Global Equities	Total	Balanced Mandate	Fixed Income	MAI	Property	Sterling Bond	USD ILF	Total	Global Equities	Global Equities	DGF	MAI	LDI Investment	**GRAND TOTAL**
31/03/2002	113.3				113.3	112.9						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	352.1	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
30/09/2023[z]	435.6	435.6	74.1	118.8	63.1	61.9	13.7	331.6	364.0	113.9	22.9	1,268.00

N.B. Custodian valuations may differ to fund manager reports due to different valuation/return calculation methods and / or timing differences.

£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 draw down 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.
[z] Assets sold by Baillie Gifford (£65.0m) in Oct 2023 to rebalance the portfolio, and fund £65m into the Fidelity Short Dated Bond 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
01/10/03
01/04/04
01/10/04
01/04/05
01/10/05
01/04/06
01/10/06
01/04/07
01/10/07
01/04/08
01/10/08
01/04/09
01/10/09
01/04/10
01/10/10
01/04/11
01/10/11
01/04/12
01/10/12
01/04/13
01/10/13
01/04/14
01/10/14
01/04/15
01/10/15
01/04/16
01/10/16
01/04/17
01/10/17
01/04/18
01/10/18
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

PENSION FUND MANAGER PERFORMANCE TO SEPTEMBER 2023

Portfolio	Month %	3 Months %	YTD %	1 Year %	3 Years %	5 Years %	Since Inception %
Baillie Gifford Global Equity	0.33	0.49	3.56	11.45	2.10	7.44	8.61
Benchmark	(0.44)	0.73	4.18	11.04	9.47	8.41	8.06
Excess Return	0.77	(0.24)	(0.62)	0.41	(7.37)	(0.97)	0.56
Baillie Gifford LCIV GAG	(2.45)	(4.25)					
Benchmark	(0.44)	0.73					
Excess Return	(2.02)	(4.98)					
Fidelity Fixed Income	(0.06)	(0.15)	(4.28)	0.87	(8.92)	(2.25)	4.71
Benchmark	(0.39)	0.74	(4.00)	2.19	(8.99)	(2.56)	4.00
Excess Return	0.33	(0.90)	(0.29)	(1.32)	0.07	0.31	0.72
Fidelity MAI	(0.35)	(0.08)	(1.92)	0.17	(2.57)	(0.85)	(0.57)
Benchmark	0.33	0.99	1.98	4.00	4.00	4.00	4.00
Excess Return	(0.67)	(1.07)	(3.90)	(3.83)	(6.57)	(4.85)	(4.57)
Fidelity Property	0.10	(1.20)	(3.02)	(18.07)	2.75	1.80	1.45
Benchmark	(0.14)	(0.42)	(0.04)	(14.34)	3.18	1.76	2.33
Excess Return	0.24	(0.78)	(2.98)	(3.73)	(0.43)	0.04	(0.88)
MFS Global Equity	0.00	1.29	3.95	10.60	11.91	9.55	11.91
Benchmark	(0.48)	0.62	3.90	10.48	8.96	7.88	10.52
Excess Return	0.47	0.67	0.05	0.11	2.95	1.67	1.39
Schroder MAI	0.21	1.38	0.88	4.96	0.78	0.21	0.27
Benchmark	0.41	1.23	2.47	5.00	5.00	5.00	5.00
Excess Return	(0.20)	0.16	(1.59)	(0.04)	(4.22)	(4.79)	(4.73)
Lon Borough Bromley USD	4.00	6.59	5.39	(6.68)			4.77
Total Fund	(0.75)	(0.92)	0.28	4.63	2.14	4.87	8.42
Benchmark	(0.28)	0.67	2.16	6.78	5.14	5.58	
Excess Return	(0.47)	(1.59)	(1.88)	(2.15)	(3.00)	(0.71)	

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
Jul 23 – Sept 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	Provisional as at 30 Sep 2023	Estimate 2023/24
	£'000	**£'000**	**£'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	**30/06/2023**		**30/09/2023**
Employees	6,462		6,208
Pensioners	6,035		6,064
Deferred Pensioners	6,524		6,591
	19,021		18,863

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

Q2 2023

Contacts

John Arthur

Senior Advisor
+44 20 0000 0000
john.arthur@apexgroup-fs.com

Adrian Brown

Senior Advisor
+44 20 0000 0000
thanos.papasavvas@apexgroup-fs.com

APEX

Key Indicators at a Glance

Index (Local Currency)		Q2 2023	Q2	YTD
Equities			Total Return	
UK Large-Cap Equities	FTSE 100	7,608	2.07%	3.82%
UK All-Cap Equities	FTSE All-Share	4,127	1.78%	2.91%
US Equities	S&P 500	4,288	-3.27%	13.51%
European Equities	EURO STOXX 50 Price EUR	4,175	-4.83%	11.51%
Japanese Equities	Nikkei 225	31,858	-3.36%	26.16%
EM Equities	MSCI Emerging Markets	953	-2.85%	2.09%
Global Equities	MSCI World	2,853	-3.36%	11.36%
Government Bonds				
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	2,895	-0.63%	-4.09%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	3,283	-5.69%	-11.13%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	3,714	-4.69%	-7.16%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	3,839	-10.67%	-15.87%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	208	-2.54%	-0.08%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2,155	-3.06%	-1.52%
EM Gov Bonds (Local)	J.P. Morgan Government Bond Index Emerging Markets Core In	128	-3.65%	3.72%
EM Gov Bonds (Hard/USD)	J.P. Morgan Emerging Markets Global Diversified Index	818	-2.23%	1.76%
Bond Indices				
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	334	-1.01%	1.39%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	219	0.70%	2.69%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	415	3.76%	6.76%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	2,969	-3.37%	0.02%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	2,314	2.21%	5.86%
Commodities				
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	95	19.48%	10.94%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	2.93	32.18%	-34.55%
Gold	Generic 1st Gold, USD/toz	1,848	-6.14%	1.20%
Copper	Generic 1st Copper, USD/lb	374	-8.72%	-1.92%
Currencies				
GBP/EUR	GBPEUR Exchange Rate	1.15	1.44%	2.15%
GBP/USD	GBPUSD Exchange Rate	1.22	-1.12%	0.96%
EUR/USD	EURUSD Exchange Rate	1.06	-2.45%	-1.23%
USD/JPY	USDJPY Exchange Rate	149	12.43%	13.92%
Dollar Index	Dollar Index Spot	106	3.58%	2.56%
USD/CNY	USDCNY Exchange Rate	7.30	6.17%	5.79%
Alternatives				
Infrastructure	S&P Global Infrastructure Index	2,476	-7.27%	-4.04%
Private Equity	S&P Listed Private Equity Index	181	4.75%	18.84%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	18,215	1.43%	4.27%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	3,383	-3.86%	-5.76%
Volatility			Change in Volatility	
VIX	Chicago Board Options Exchange SPX Volatility Index	18	-6.31%	-19.15%

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

Performance

The Fund fell by -0.92% in the third quarter of 2023 to a value of £1,268m. As can be seen from the table on the previous page, bonds were noticeably weak during the quarter and the major overseas equity markets also fell in local currency terms. In addition, infrastructure assets fell as the rise in bond yields finally impacted valuations. I would also note the rise in the price of oil and gas over the quarter as this will impact future inflation and was, in part, behind the rise in bond yields (fall in prices). Much of the underperformance against the benchmark was driven by the poor performance of the LCIV Global High Alpha Equity portfolio managed by Baillie Gifford which returned -4.25% over the quarter against a 0.7% rise in the MSCI global equity benchmark.

Over the longer term the Fund is lagging its benchmark over 3-years (by -3.0%) and 5-years (by -0.7%) but with returns of 8.4% per annum over the last 36 years, being above the Fund's actuarial discount rate assumption for future investment returns which will have helped improve the funding ratio.

Asset Allocation changes since quarter end

At the last Pension Committee meeting on 11th September, it was agreed to divest 5% (£65m) of the Fund's total AuM from the Baillie Gifford Global High Alpha Equity portfolio managed via the LCIV and reinvest into UK Short Dated Corporate Bonds via a fund managed by Fidelity. This transaction took place at the beginning of November. Discussions have also continued with Fidelity regarding moving the existing two bond funds Bromley invest in into a segregated account and this work is ongoing. I was also asked at that Committee meeting to provide an update on the Multi-Asset Income Funds and specifically on the portfolio managed by Fidelity and comment on its recent poor performance, an update is included at the end of this report.

Comment

The decision at the last Pensions Committee meeting to shift money out of global equities and into UK short duration corporate bonds was driven by the high yields currently available at the short end of the UK bond market (which exceed the investment return required in the Funds actuarial valuation) and by a belief that interest rates in the UK are nearing a peak and, therefore, investing in this area would be low risk (the bonds could be held to maturity with no interest rate risk). The decision was not to invest into longer dated UK bonds at the current time because these were not offering the same yield but also did not seem to have priced in a higher for longer interest rate environment and that, therefore, there was still scope for longer dated bond yields to rise (prices to fall).

In the last quarterly report I noted that there was '*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.'*

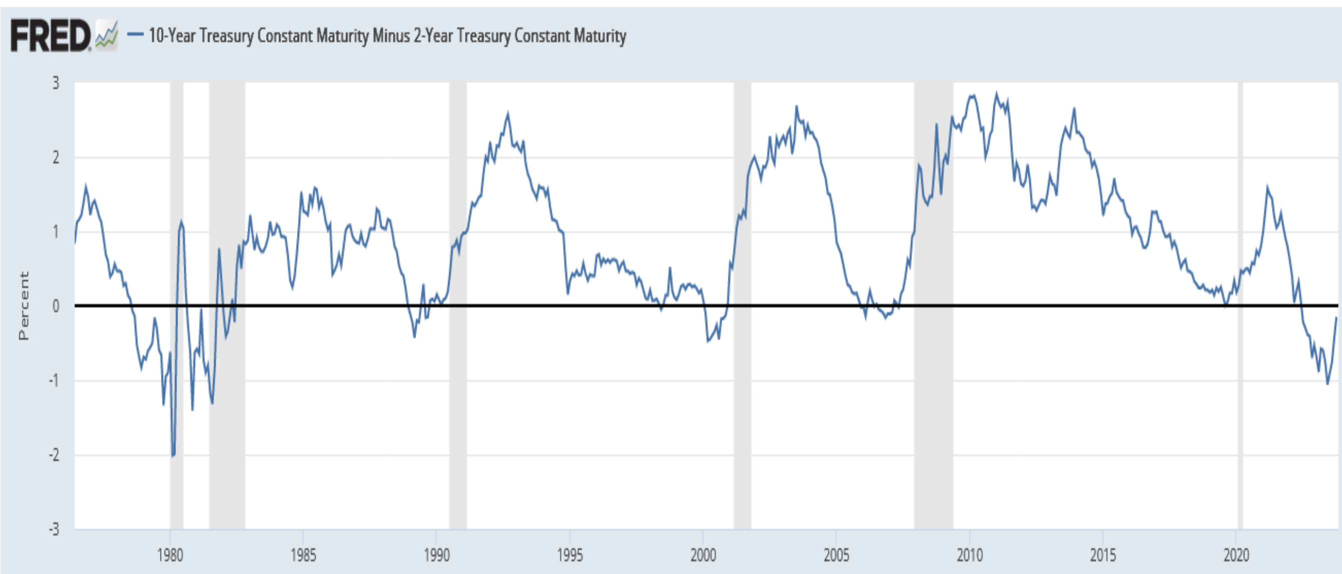
I am not sure which of the factors noted above was the main driver of the rise in longer duration bond yields during the third quarter, but, particularly, in the US, it is the continuing strength of the US consumer and hence the US economy which is concerning markets and this led to a change in the shape of the yield curve undermining market sentiment for risk assets by the end of the quarter.

The situation at the end of the second quarter of 2023 was that both the UK and US had inverted yield curves where short duration bonds were yielding noticeably more than longer duration bonds. This has traditionally been seen as the harbinger of a recession. An inverted yield curve is the market's way of saying that short-term interest rates are peaking because they have risen to an extent that is likely to cause a recession and thereby lead to lower interest rates in the future.

There are two ways a negative yield curve can unwind, either short-term interest rates fall as the economy enters a recession, forcing wages and inflation down and central banks to eventually react to the lower growth profile by cutting interest rates (termed a 'bull flattening' for bond investors) or, for long-term interest rates to rise as markets realise that the economy is not slowing enough to reduce inflation back to target and that rates will therefore either need to rise further or stay higher for longer (a 'bear flattening' for bond investors). Q3 2023 was very much the latter for the US market as the economy has stayed strong despite the sharp rise in interest rates seen over the last 18 months.

The chart below shows the US Treasury 10-year yield minus the 2-year yield. When the line is below zero, 2-year yields are higher than 10-year yields and bond markets are, thereby, predicting a US recession. The shaded areas are actual recessions in the US. As can be seen in the chart, a negative yield curve is a good indicator of a coming recession and this only starts to revert and move into positive territory when markets are confident the US economy is about to enter a recession and that interest rate cuts are firmly on the horizon. During the three most recent occasions when this has occurred (1991, 2001 and 2008) the yield curve normalised (long duration bond yields higher than short ones) through a fall in interest rates expectations pushing the 2-year bond yields down (bond prices up). As can be seen at the right hand side of the chart, during Q3 2023, it looks like this line is again reverting to normality with long-term yields moving towards short-term yields but this time it has been driven by a rise in long-term yields. This is not the market predicting an imminent recession and thereby cuts in interest rates, but is driven by the view that inflation is not completely under control in the US and that either interest rates are likely to rise further or stay elevated for longer or both. The market's view during Q3 2023 is that a US recession is not on the horizon …yet.

Chart 1: US yield curve



Source: Federal Reserve Bank of St Louis

This further rise in long-term bond yields, whilst understandable given the strength of the US economy (and the US consumer in particular) acts as a further piece of monetary tightening as it raises the cost of longer term borrowing and does, therefore, increase the likelihood of a recession in 2024.

The US economy has been far stronger than predicted with annualised economic growth hitting 4.9% in Q3 2023, up from 2.1% in Q2, far above expectations at the start of the year. This has been driven mainly by the consumer although there are now signs of some productivity growth. The US consumer is showing remarkable resilience and like Rasputin seems impossible to kill off at present. Nonetheless, recent data does now show the US consumer with a negative savings rate (spending more than they earn) and this cannot continue indefinitely. I think what we are seeing is the effect of using averages for economic data when we increasingly have a bipolar situation with the well off commanding higher pay and supported by resilient equity markets so continuing to spend but the less well off, with less stable employment, struggling to make ends meet, however, this element is lost within the data averages.

There now look to be three possible outcomes to the economic situation.

1) The US economy now begins to slow as the interest rate rises seen so far take effect. In this scenario the US Federal Reserve (US Fed) holds rates high throughout 2024 only cutting once they are confident inflation will return to the 2% level and stay there.

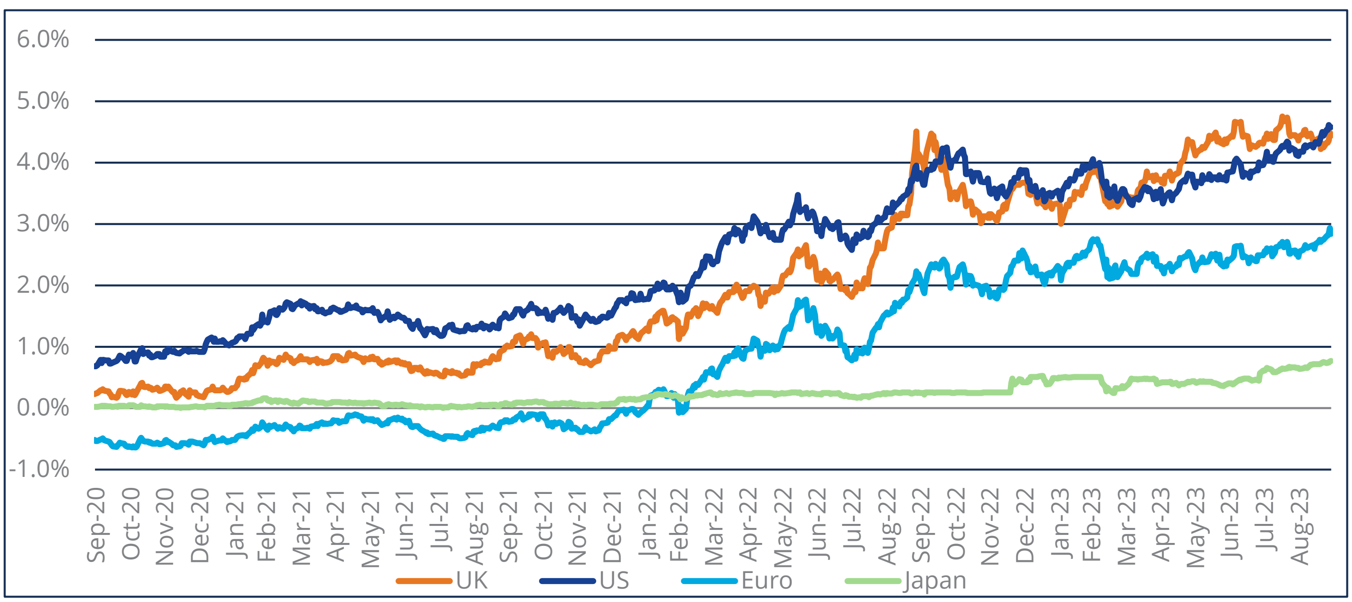
2) Economic growth continues to surprise forcing the US Fed to raise interest rates further. There is then a danger that they are forced into raising rates just as the cumulative effect of the existing interest rate rises hits the economy and forces a sharp slowdown.

3) Something breaks. We saw the effect of the rapid interest rate rises on the regional US banking system in spring of 2022 where a small number of banks holding long-term loans were unable to retain their deposit base as interest rates rose. There will still be other asset owners for whom the rapid rise in interest rates has undermined their investment model. The amount of volatility in long dated bonds is unprecedented. It is quite possible that the US Fed's hand could be forced if markets become particularly stressed. This could be either, by a buyers' strike forcing the US Fed to raise rates to get their bond issuance away or, by a collapse in a specific segment of the market which causes wider collateral damage and forces the US Fed to cut rates to calm markets. Either of these outcomes would be highly destabilising.

Despite the strong GDP growth in the US, it remains my opinion that there will be a US recession during 2024. It will be difficult for the global economy to show much growth in this scenario, particularly with China encountering structural economic change at the same time.

The chart below shows 10-year Government Bond yields. The weakness of the US 10-year bond in particular is noticeable over the last 3 months driven by the strength of the US economy but 10-year Government Bonds have been weak (yields rising, prices falling) across the spectrum of the developed world over the last six months and now sit at decade high yields.

Chart 2: 10-year Government Bond Yields



Source: Bloomberg. Notes: US Govt 10 Year Yield; UK Govt Bonds 10 Year Yield; Euro Govt Bond 10 Year; Japan Govt Bond 10 Year Yield

Outside of the US, in Europe and the UK we are seeing much greater economic weakness and, in the UK's case, more stubborn inflation. Interest rates are having a more obvious effect on consumption in these markets and whilst inflation is falling and may continue to do so in the near term, in the UK in particular, it is unlikely to reach the Bank of England (BoE) target of 2% as an element of the inflation appears more structural.

Markets will be cheered by falling inflation but both core inflation (excluding energy and food) and wage inflation are not consistent with a target for CPI of 2% and whilst interest rates may well have peaked, the market may be too optimistic about the pace at which they will fall from here.

Table 1: Inflation

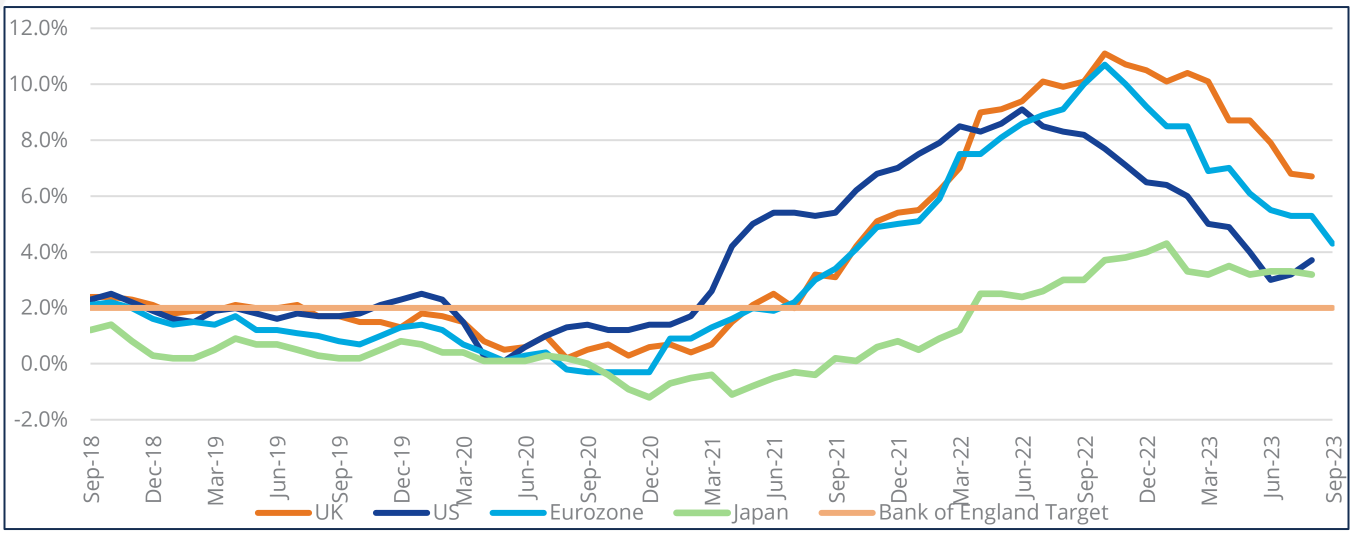
	CPI	Core Inflation	Wage Inflation	Unemployment Rate
US	3.2%	4.1%	4.6%	3.9%
EU	2.9%	5.1%	5.2%	6.0%
UK	4.6%	6.1%	7.9%	4.2%
Japan	3.0%	2.8%	1.2%	2.6%

Source : various

Longer term, it remains my opinion that we are moving into a period of more volatile inflation. The growth rate at which capacity constraints are encountered is lower than was previously thought, this is not helped by an unstable geopolitical situation. The effect of greater volatility in inflation will be felt in interest rates as central banks attempt to fulfil their twin briefs of low inflation and high employment. This is likely to cause shorter business cycles more akin to the 1970's and 1980's than the last two decades.

On a more positive note, long-term returns, particularly from bonds, are becoming more attractive and the opportunity to earn a return higher than inflation is again feasible at a level of risk that is potentially acceptable to well-funded LGPS Funds.

Chart 3: Consumer price inflation (CPI)



Source: Bloomberg

Markets

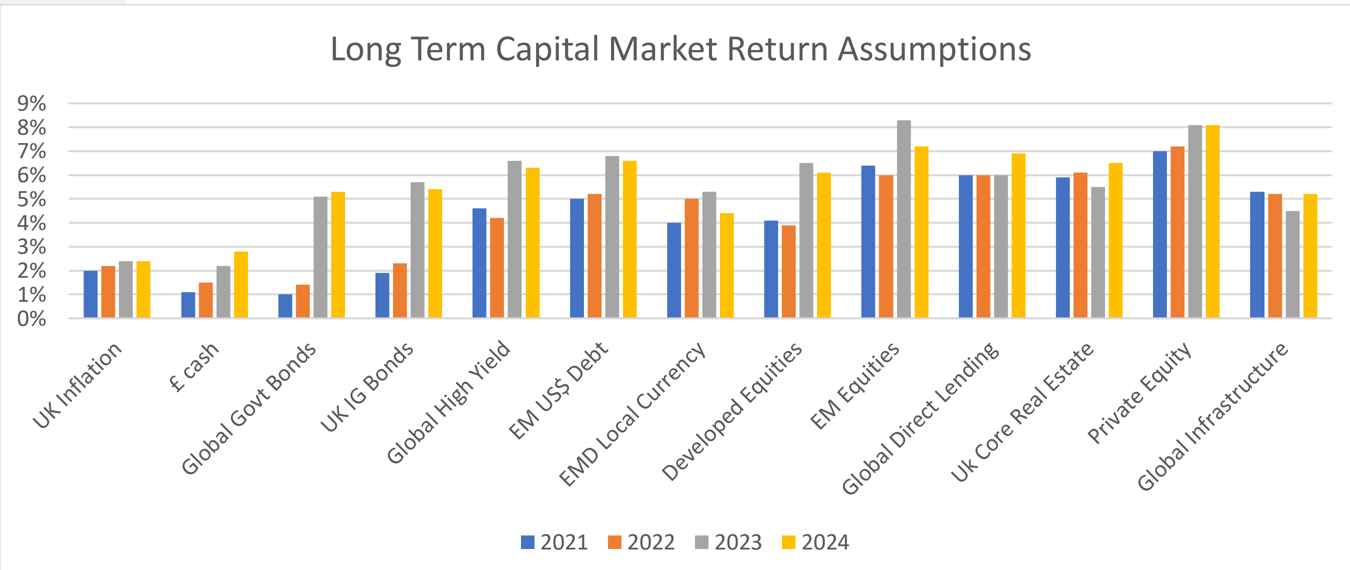
Given the above, my expectation is for interest rates to stay high for the majority of 2024. This continues to make current yields quite attractive, particularly the shorter duration end of the yield curve as short rates are still slightly higher than long rates at present.

In this higher interest rate and slowing economic growth 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. In addition, the higher cost of financing debt will reduce free cash flow and thereby crimp investment.

For Alternatives, it has taken some time to see the effect of interest rate rises on valuations given the illiquid nature of these investments and the opaque nature of pricing but that is now coming through with Infrastructure valuations under some pressure this quarter. I see no rush to increase investments in this area at the current time and remain slightly wary of private equity valuations in particular as the one area where we have yet to see valuations fall but with limited transactions and very little pricing data this gives me little confidence in current valuations. Throughout the last decade an important element of the private equity business model has been the use of cheap debt to leverage up businesses and this will have become more difficult to engineer over the last year.

The chart below shows JP Morgan's Long-term Capital Market Assumptions. These are 10 year return forecasts produced each year with the forecast for 2024 having just been released. We know these forecasts will be wrong but they are built from a single set of assumptions and therefore are comparable with each other and over time. Unsurprisingly, it is the return forecasts for high quality bonds which have seen the largest change over the last 4 years with return expectations for UK Investment Grade Bonds rising from 1.9% p.a. in 2021 to 5.4% in 2024. Return expectations for Equities have also risen but less so.

Chart 4: Forecast returns by asset class, comparing 2024 with earlier forecasts



Source JP Morgan

What this chart does not show is the volatility and correlations estimates of these return assumptions. The volatility of returns should be lower in bonds than equities going forward but correlations between asset classes are likely to be more volatile with periods of positive correlation between equities and bonds similar to the period we have just been through in 2022 when both Equities and Bonds fell.

Asset Allocation

Table 2: The Funds current asset allocation against the Strategic Benchmark

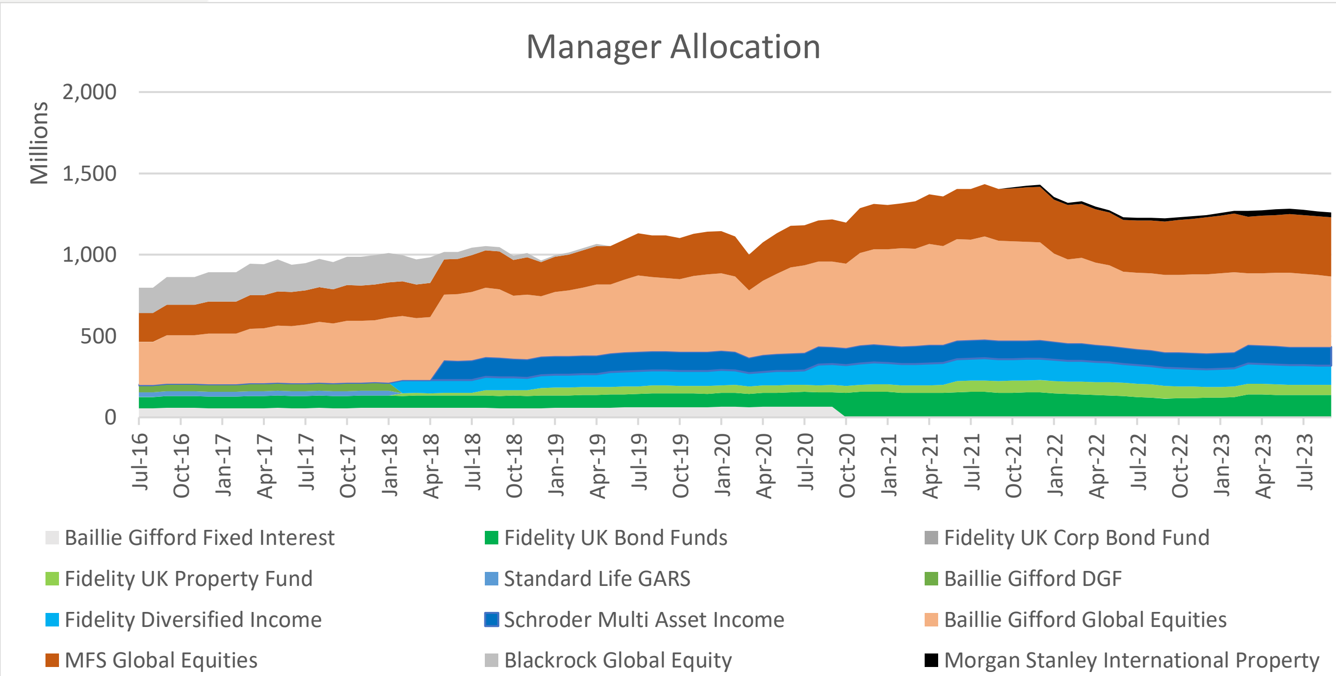
Asset class	Asset Allocation as at 30/9/2023	SAA Benchmark	Position against the benchmark	Cash over/under weight
Global Equities	63.0%	58%	+5.0%	-£63.5m
Fixed Interest	10.7%	13%	-2.3%	+£29.3m
UK Property	5.0%	4%	+1.0%	-£12.7m
Multi-Asset Income	18.3%	20%	-1.7%	£21.6m
Int'l Property +US$ cash	2.9%	5%	-2.1%	£26.7m

Figures may not add up due to rounding

The change in the asset weightings since 30/9/23 does not reflect the move of 5% of the Fund from Global Equities to a short dated bond fund managed by Fidelity. Including this move will bring the Equity weighting down to on-weight against the Strategic Asset Allocation Benchmark and Bonds to slightly overweight.

The column on the right of this table shows the amount pf money which would need to be moved from each asset class to bring it to an on weight position against the Strategic Asset Allocation benchmark.

Chart 5: Assets by manager/mandate.



Environmental, Social and Governance

Taskforce for Climate Related Financial Disclosure (TCFD)

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The required reporting disclosure has four core elements:

- Governance: The organization's governance around climate-related risks and opportunities.
- Strategy: The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.
- Risk Management: The processes used by the organization to identify, assess and manage climate-related risks.
- Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Each of these sections will require the Committee to think through its current approach to climate change, how this will evolve into the future and what metrics and targets it will monitor to hold itself to account. In essence, it will need to describe and quantify its existing practice and understanding and think through how this might change into the future.

TCFD reporting has already commenced for large, private sector pension schemes with the LGPS sector expected to follow using 2023/4 data. **I feel it is now best practice for LGPS Funds to complete TCFD reporting even if the current Government dos not specifically mandate action on this point.** It may be possible to get assistance from the LCIV with compiling this report but the Committee will need to discuss and agree its approach to climate change and it may make sense to start by creating a Responsible Investment Statement as part of the Fund's governance documents.

Carbon Emissions data

In order to illustrate the carbon intensity of the Fund I have asked each manager to provide the CO2 equivalent (CO2e) of six recognised greenhouse gases covered by the Kyoto protocol (CO2, CH4, N2O, HFC's, PFC's and SF6) and to show these as tonnes of CO2 equivalent per £m of sales (tCO2e/£m) aggregated to the portfolio level. This gives a comparable carbon footprint for each portfolio and their respective index where possible. These figures relate to scope 1 & 2 emissions only. The exception is the property portfolio where the figure is the amount of carbon equivalent emitted (not divided by turnover as this is not appropriate for a property portfolio).

Portfolio	tCo2e/£m	Benchmark equivalent.	Benchmark
Baillie Gifford Global Equity	142.1	154.9	MSCI All Countries World
MFS Global Equity	88.06	118.11	MSCI World (Developed Markets only)
Fidelity Multi-Asset Income	205.91	10% below 2022	
Schroders Multi-Asset Income	131.5		
Fidelity Fixed Interest	187.4		Composite Fixed Interest benchmark
Fidelity UK Property	1,819 tonnes	Data being collected and monitored	Carbon emissions from the portfolio of 36 properties

I believe these figures to be approximately comparable, they are expressed as a carbon equivalent per million pounds of sales at the company level. Where there is a comparable index figure the Fund's assets are managed with a noticeably lower carbon intensity than the index. Because of the multi-asset nature of the Multi-Asset Income portfolios it is not possible to provide a benchmark figure for carbon emissions for these two portfolios. Each manager has also noted a small number of companies where they are currently unable to provide this data, this is mainly for emerging market companies and where the portfolio is invested in third party funds. We, and the industry, continue to push for greater disclosure.

Because these figures are for scope 1 & 2 emissions only and do not include scope 3 emissions the figures should be seen as indicative only at this stage. What is obvious is the scale of the reporting from each manager is improving.

I will continue to discuss with each manager the best way to report this data going forward and suggest it should be reviewed annually with the intention of seeing the carbon intensity of the Fund's portfolios fall over time. This may be hampered in the short-term by filling out the missing data. Personally, I regard carbon reporting as similar to performance reporting for the Fund, the quarterly data is just a point in time and of itself is of limited use, what is more important is the direction of travel and level of volatility within the figures, each of which can lead to further discussion.

Carbon reporting is still developing and for many of the metrics relies on reporting three scopes of emissions:

- Scope 1 covers direct emissions from owned or controlled sources.
- Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.
- Scope 3 includes all other indirect emissions that occur in a company's value chain.

Whilst progress is being made by companies to quantify all three of these scopes, it is the last, covering the whole of the value chain, which is by far the most complex. The majority of carbon reporting available at present covers only scope 1 & 2 emissions.

Market Summary

- Inflation has broadly continued to fall throughout Q3 and whilst the US Fed, European Central Bank (ECB) and BoE all raised interest rates during the quarter, the rate of increase has slowed. With inflation decreasing across the board (with the exception of a slight rebound in the US) it is likely that rates will not increase much further. However, the slow pace of the decline in core inflation, as well as an uptick in the US over the quarter and the risk of renewed energy supply shortages as winter approaches, suggest that rates are likely to remain high for a longer period than previously thought: 10-Year UK rates rose very slightly over Q3 to 4.5%, but US 10-Year rates have risen nearly 1% to 4.6%. Labour markets remain robust, especially in the US (unemployment at 3.8% and job openings up 5.8% Year-on-Year in August) and GDP growth remains slow but largely positive.
- Q3 showed a reversal in the first g=half trend for equities. Global equities (MSCI World) fell -3.4% in local currency terms over the quarter, with Value (-2.5%) proving more resilient than Growth (-5.1%) as a style. Japanese and UK equities were notable exceptions to the downward trend, with Japanese equities returning 2.5% (TOPIX Index) in local currency and UK equities returning 1.8%. Performance in Japanese equities as a whole was largely down to the weakening yen which fell further against the US Dollar, however, large growth stocks were negatively affected by the rising interest rates and yields resulting in a -3.4% performance in the Nikkei 225 Total return. UK equities, due to their energy tilt, benefitted from the rising oil prices caused by Russia and Saudi Arabia's extension of voluntary output cuts. US equities fell (-3.3%) as expectations of near term cuts in rates were disappointed. Bonds continued to face headwinds caused by rising interest rates, with all government bonds performing negatively over the quarter and long dated index-linked down over 10%. Investment grade performed better and spreads over government bond yields remained stable over Q3: European Investment grade indices rose marginally, while the US index fell -3.4%. Tightening spreads and higher carry (coupon) allowed high yield to outperform credit. Interest rate-sensitive alternatives (e.g. Real Estate, Infrastructure) also showed a modest decline.

It is worth highlighting the following themes, impacting investment markets:

- **Core inflation proving sticky, so interest rates may stay higher for longer.** Inflation fell across the board this quarter (barring the US) with UK annual CPI falling to 6.7% in August, compared to 3.7% for the US and 4.3% for the Eurozone in September (UK data for September is not yet available). Core inflation (excluding energy and food prices) has also been falling, but much more slowly. US and Eurozone core inflation are both above headline inflation at 4.1% and 4.5% respectively. This all suggests the high inflation / high rates environment may last for rather longer than previously thought. This was reinforced by the US Fed which revised median expected rates for 2024 and 2025 up by 0.5%.
- **The US Dollar – tension between reserve currency status and ratings downgrade might cause increased FX volatility.** The US Dollar Index (DXY) steadily increased throughout the first 10 months of 2022 (by around 17.5%) on strong economic data and ongoing geopolitical uncertainty. The net result of this is that the US Dollar is the strongest it has been (barring the 2022 peak) since the early 2000s. At the same time, Fitch became the second major ratings agency to downgrade US Treasuries from an AAA to an AA+ over concerns around the extent of the US government debt and deficit as well as political brinkmanship in the debt limiting process. Whilst the move from AAA to AA+ is unlikely to have major impacts in the short-term, it increases the risk of changes in sentiment toward the USD, causing significant volatility.
- **China's weak Covid recovery and ongoing property crisis remove a key engine of global growth.** Low consumption spending and industrial activity as well as the struggling real estate sector are likely to lead to weak Chinese growth. The composite PMI remains above 50 but is decreasing, with the largest fall seen in services. The property market accounts for a quarter of all Chinese economic activity with real estate employing millions and providing the bulk of most people's savings. As the property prices drop, many people's savings have reduced significantly and so spending has decreased. Local governments rely on land sales to developers, which have dropped and local governments are having to cut back on services as a result. Trust companies that invest heavily in development loans are now seeing significant losses too. In short,

the size and heavily debt-funded nature of the Chinese housing economy has caused it to spill over significantly into the rest of the economy. This has led Chinese growth to dip below US growth, after having been a leader of global growth since the Global Financial Crisis of 2008/9.

- Global equities fell in Q3, following the rally in the first half of the year. The VIX increased over the quarter from 14 to 18, back towards its 2022 level. The sell-off of global bonds has increased yields and put pressure on risk assets.
    - In the US, the S&P 500 fell by -3.3% and the NASDAQ composite also fell by -4%. Optimism over the end of policy tightening proved premature as inflation actually rebounded slightly this quarter and the US Fed indicated median rates would remain higher than expected through 2024.
    - UK equities increased by 1.8%, outperforming global equities. Inflation fell noticeably from 8.7% in May to 6.7% in August. This is the second quarter of significant falls from the highs of around 11% experienced in 2022. Therefore, after the August hike to 5.25%, the BoE kept the rate unchanged during September. The rising oil price contributed strongly to outperformance given the UK's energy tilt.
    - The Euro Stoxx 50 fell by -4.8% in Q3. Inflation continued to move downwards, aided by the ECB's double hike during the quarter. The ECB began to loosen its hawkish rhetoric as a result. The composite Purchasing Managers Index (PMI) has remained in marginal territory at 48.7 (below 50 equating to an economic contraction).
    - Japanese equities continued their strong run in Q3 (TOPIX returned 2.5%), but large growth companies underperformed, hence the Nikkei returned -3.4%. A weakening Yen has boosted exporters, as the BoJ maintains very accommodative monetary policy with core inflation remaining at 2.7%. The Yen fell a further -3.4% against the USD over the quarter. The extent of its weakening is beginning to cause some concern.
    - Emerging market equities fell by -2.9% as concerns over a more extended period of high US interest rates reduced risk appetites. Political uncertainty in Poland and falling Lithium prices in Chile contributed to the negative performance, but the underwhelming Chinese recovery and resurfacing issues with its housing sector were more significant contributors. Turkey notably outperformed following two rate rises, indicative of a more orthodox policy by the Central Bank.
- Medium and longer term bond yields rose over the quarter, as a result of predictions of more persistent high rates. This resulted in negative performance across the main government bond markets. The inversion of the US yield curve, as measured by the 10-year minus 2-year yields, reduced, ending the quarter at around -50bps, as mid and long term yields rose more than shorter bond yields. August saw Fitch downgrade the US's rating from AAA to AA+ leaving Moody's as the only major rating agency keeping US treasury debt at AAA. Fitch cited the increasing debt and deficit as well as 'erosion of governance' and political partisanship in the debt limiting process. In corporate bonds, high-yield credit outperformed as credit spreads tightened over the quarter.
    - The US 10-year Treasury yield rose in Q3, ending at 4.57% from 3.81%, while the 2-year yield rose from 4.90% to 5.05%. US Fed policy rates rose by 25 basis points to 5.25-5.50% in July.
    - The UK 10-year Gilt yield rose from 4.39% to 4.44% while 2-year yields fell from 5.25% to 4.90% due to an increase in demand in shorter-dated Gilts. BoE policy rates rose from 5% to 5.25% in August.
    - European government bonds fell in Q3 as yields rose. Yields rose more in the medium to long-term. German-Italian bond spreads widened as Italian bonds matured and were sold out, Italy's debt continues to grow a considerable amount and the Pandemic Emergency Purchase Program (PEPP) buyback scheme stopped buying new bonds.
    - US high-yield bonds outperformed investment grade, returning +2.2% and -3.4% respectively. European high-yield bonds returned +3.8%, outperforming the +0.7% for European investment grade and -1.0% for UK investment grade.
- Energy prices rose during Q3, as gas prices continued to rebound this quarter, although still sharply down from the pre-winter figures. Oil prices were also a major driver as Russia and Saudi Arabias, extended their voluntary output cuts.
    - US gas prices rose 32% in Q3. Prices remain low compared to their 2021/ 2022 peaks.

- Brent crude oil rose 19.5% over Q3, to $95 per barrel. OPEC production cuts last quarter have now fed through into the price. The US started restocking its Strategic Petroleum Reserve, but slowly. However, it has as little as half of its pre-2022 inventory.
  - Gold and Copper fell -6.1% and -8.7% respectively over Q3. Precious metals prices generally fell, while industrial metals went up. Copper is a notable exception partly due to strong links to the Chinese markets. Gold fell given the high yields available on cash alternatives. Gold and Copper closed Q2 at 1,848 USD/toz and 374 USD/lb, respectively.
- Global listed property continued to decline, with the FTSE EPRA Nareit Global Index falling -3.9% in Q3.
  - The Nationwide House Price Index in the UK has declined after its increase last quarter, with the price index down -4.7% for the quarter, but up +4.5% for the last 12 months.
  - 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 -1.4% this quarter and -11% over the past 12 months.
- In currencies, the US Dollar strengthened generally throughout the quarter (DXY +3.6%), strengthening against Sterling, the Euro and the Japanese Yen. UK inflation is now in its second quarter of significant decrease. Bitcoin and Ethereum saw strong loses as the US increased regulation, although Ethereum's proof of stake concept has worked well so far since its introduction.

Performance report

Asset Class/ Manager	Global Equities/ Baillie Gifford via the LCIV
Fund AuM	£436m Segregated Fund; 34.5% of the Fund (inc £4m still held directly with BG)
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

This portfolio is now held within the London CIV. It has now underperformed over the last 5 years. I have downgraded the manager to amber given the poor recent performance but remain supportive of their investment approach.

A disappointing quarter for Baillie Gifford, underperforming by 5%, having had two more stable quarters recently. This was a difficult quarter with energy stocks again accounting for much of the gain in the index. Baillie Gifford was underweight these stocks in total. However, markets are rarely entirely rational and at present are being buffeted by short-term noise on the macro outlook with many investors trying to pick the peak in US interest rates as a time to invest. I believe Baillie Gifford has worked hard on reappraising its investments to ensure they are fit for a higher interest rate environment and, once markets revert to looking at stock specific fundamentals, we will see this portfolio start to outperform.

Across the developed world, the non-inflationary rate of growth is now lower than in the past due to a number of inflationary trends being nearer the surface. It is quite possible that we are entering a period of medium-term low growth during which I would expect this portfolio, which concentrates on higher growth companies, to outperform driven by earnings growth and some upside in valuations.

Since quarter-end, £65m has been divested from this portfolio as agreed at the last Pension Committee meeting.

Asset Class/ Manager	Global Equities/MFS
Fund AuM	£364m Segregated Fund; 28.7% 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 4/12/23

The MFS portfolio returned 1.3% over the quarter, outperforming its benchmark by 0.7%. The portfolio has outperformed over the medium and longer term adding 1.4% p.a. over the benchmark since inception in January 2013. MFS retain a 'value' bias within the portfolio and 'value' stocks held better than 'growth' stocks as markets feared higher for longer interest rates given the strength of the US economy.

MFS remain cautious of the economic outlook at present and are stress testing their investments for the durability of the business franchise as well as concentrating on valuation support. Given that I remain somewhat cautious over the market outlook and expect that we are entering a lower growth, more challenging situation for many corporates I do think that 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; 10.7% of the Fund
Performance target	28.8% Sterling Gilts; 28.8% Sterling Non-Gilts; 42.5% 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.

During the quarter the combined portfolio fell by -0.15% underperforming the benchmark by 0.9%. These performance figures are taken from the performance report produced by Fund's custodian and differ from the managers report slightly. Any differences are usually due to a different hierarchy of pricing sources and will even out over time but I will query this quarter with the manager. Over the longer term, the portfolio has outperformed, adding 0.7% p.a over the benchmark since inception 25 years ago. I regard this as a highly credible performance.

The third quarter was affected by investors reappraising their interest rate expectations, especially in the US and at the longer duration end of the curve. Longer duration bond yields rose as investors recognised that the US economy continues to grow strongly and that inflation was unlikely to come under control unless US interest rates stayed higher for longer. The Fund's fixed interest portfolio has an average duration of 7.3 years and so was partly affected by this long duration sell off. The current yield of the combined portfolio stands at 6.2% which is usefully above the Fund's actuarial assumed future investment return. This makes current yield attractive and since quarter end the Fund has invested a further £65m into a short duration UK bond fund managed by Fidelity. I would expect to recommend rolling this short duration portfolio into the existing Fixed Interest portfolio, thereby lengthening the duration of the Fund's fixed interest assets, at some stage of over the next 2-5 years as the outlook for consistently lower inflation becomes more believable.

Asset Class/Manager	Mult-Asset Income / Fidelity
Fund AuM	£119m Pooled Fund; 9.4% of the Fund
Performance target	LIBOR +4% including a yield of 4% per annum
Adviser opinion	
Last meeting with manager	Eugene Philalithis; Tom Jeffrey; Jessica Miley/John Arthur 28/9; 24/10; 27/11

Asset Class/Manager	Multi-Asset Income / Schroders
Fund AuM	£113m Pooled Fund; 9.0% of the Fund
Performance target	LIBOR +5% including a yield of 4% per annum
Adviser opinion	
Last meeting with manager	John Arthur/ Russel Smith/Remi Olu-Pitan 31/10/23

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 the Fidelity portfolio was flat whilst the Schroders portfolio rose by 1.4%. Over the last year a noticeable performance gap has opened up between the two portfolios with Fidelity up 0.2% and the Schroders portfolio up 5.0%. This is during a period when the Fund's UK Bond portfolios rose by 0.9% and Global Equities were up over 11% in Sterling terms. Because of this period of poor performance by Fidelity, both when compared to Schroders and to the performance of the major asset classes, I have included a more detailed review of the Multi-Asset Income portfolios at the end of this report.

The divergence in performance is less noticeable over the longer term with the Fidelity portfolio down 0.9% p.a over 5-years against the Schroders portfolio up 0.2% p.a. over the same period which confirms that the performance issue has been only over the last year. This compares to the Funds fixed interest portfolio, also run by Fidelity, down -2.25% p.a. over 5-years and global equity markets (as measured by the MSCI All Countries index) up 8.4% p.a. over 5 years. This 5-year performance does bring to the surface that during the era of ultra-low interest rates, both managers were investing heavily into high yielding fixed interest investments as a way of generating the required yield from their portfolio and have delivered performance which is more heavily influenced by bond returns than equities over the medium term.

The Fidelity portfolio remains the more diverse of the two portfolios with a much lower exposure to global Equities. I would regard it as more defensively positioned at the current time.

Asset Class/Manager	UK Commercial Property / Fidelity
Fund AuM	£63m Pooled Fund; 5.0% of the Fund
Performance target	IPD UK All Balanced Property Index
Adviser opinion	
Last meeting with manager	Alison Puhar; Tom Jeffery; Jessica Miley/ John Arthur 24/10/23

The UK property portfolio fell by 3.0% over the quarter, underperforming a flat benchmark. Over the last 5 years the portfolio has returned 1.8% per annum, in line with its benchmark but above the return from the Fund's Fixed Interest portfolio which has fallen by -2.3% p.a. over the 5-year period.

The portfolio is now yielding 4.5%. This yield is paid back to the Fund to help cover pension payments. The portfolio is mainly exposed to the Industrial segment (48.5% of the portfolio) with a number of Distribution facilities. With 42.5% of the portfolio in the Office segment. The manager sold one portfolio during the third quarter raising £12.3m and has sold a further property since quarter end.

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 / £22.9m drawn. Limited Partnership; 1.8% of the Fund
Performance target	Absolute return
Adviser opinion	
Last meeting with manager	John Arthur/Gareth Dittmer New Haven AGM 11/11/23

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 capital raising for this fund completed in January 2021 and was due to be completed by December 2024, a four-year investment period. The manager has been relatively slow to commit capital into the property market, particularly during 2022 as interest rates rose substantially undermining many regional property markets. The investment rate is now picking up and the manager has now invested 56% of the committed capital of this fund of which 25% has been in the last year post the rise in interest rates, nonetheless, the manager has asked for a 1-year extension to the investment period to end 2025 as a precaution. This request has been sent to the fund’s Advisory Committee. During this 1-year extension to the investment period, the managers fee will be based on invested capital only not committed capital. I regard this as acceptable and prudent given the delay in committing capital to date which will have been advantageous to this fund.

The existing portfolio continues to perform well with only 1 investment of concern, a UK logistics site purchased during the lower interest rate environment. Even here the manager does not expect to lose any capital, but is now forecasting a noticeably lower return on this property. Outside of this the manager is still forecasting an Internal Rate of Return (IRR) for the portfolio already purchased only marginally below the level predicted where interest rates were at 1% in many countries. The current environment for investing is more attractive and I would expect new investments, now being made, to outperform the original expectations for this fund and as such for this fund to reach its original return expectations over its full life.

The Fund held $13.7m as US Dollar cash to cover future draw downs into this portfolio. I would expect this amount to cover at least the next 6 months of drawdowns but I will continue to monitor this amount.

Multi-Asset Income

Conclusion

Undoubtedly, markets have changed over the last 18 months and the rise in bond yields has now made them a useful source of income. However, this may not last. My expectation is for more volatile inflation as we are nearer to hitting capacity constraints in a number of areas than was previously assumed. This will mean more volatile interest rates, as central banks attempt to fulfil their twin aims of low inflation and high employment, and the likelihood of shorter economic cycles and more volatility across asset classes. It is quite possible that over the next 5 years we could see interest rates in the UK range between 2%, as the Bank of England (BoE) cuts interest rate in a recession, to 6% as inflation reignites and the BoE raises rates. In the former case of cutting interest rates, yield will again become hard to find.

At the last Strategic Asset Allocation (SAA) review it was calculated that the Fund had a Value at Risk (VaR) of approximately £150m which indicates that once in twenty years the Fund could fall in value by £150m. Given this, I would not recommend raising the risk and hence volatility of the assets within the Fund. In addition, a cash flow analysis of the Fund continues to show a position where pension payments are not covered by pension contributions in the future and therefore some element of investment income is required by the Fund.

I therefore continue to see a Multi-Asset Income portfolio as an appropriate allocation given the Fund's continuing cash flow concerns and the need to secure income from elements of the investment portfolio to cover any shortfall in pension payments in whatever the investment environment in the future.

In the absence of the Multi-Asset income allocation, I would recommend that the Fund hold an income generating asset class that will provide diversification from the predominately equity and bond based current asset allocation of the Fund. Infrastructure could provide a valid alternative with the potential to access the asset class through the secondaries market, a potentially interesting solution at the current time. Alternatives could be Social/Affordable Housing or potentially asking Fidelity to alter their existing Multi-Asset Income portfolio to focus more on Alternative assets (Private Equity, Private Debt and Infrastructure). Because Bromley are the only investors in the specific Multi-Asset Income portfolio managed by Fidelity this latter approach is a feasible option but would require careful consideration as to whether Fidelity are the best managers across these Alternative asset classes. This latter approach would increase the level of diversification within the Fund.

Background

As an open Defined Benefit Pension Fund, the LBBPF has never-ending duration unlike a Scheme which is closed to new members and future accrual. It will not move into run-off whilst it continues to accrue benefits for existing members and new employees of LBB and other admitted bodies are enrolled in the Fund and their pension contributions paid. This gives the Fund a number of significant advantages over other investors. Firstly, it does not invest borrowed money so will never be beholden to an outside party for repayments; secondly, it has infinite longevity and so can invest over the long-term and, lastly, its cash flows, in terms of pension payments offset against pension contributions and income from investments, are broadly predictable. This means that the Fund should be able to plan its investments such that it never has to sell assets into stressed market conditions. With a bit of planning, therefore, the Fund should never require markets to provide it with liquidity to trade as it will never be a forced seller of assets. Instead the Fund becomes a provider of capital to markets and during periods of market stress can demand a premium return for doing this.

Why does LBBPF hold Multi-Asset income Funds?

Following the 2016 Actuarial triannual revaluation, LBBPF conducted a SAA review which made the following comments regarding cash flow:- '*Based on calculations by Officers and the Scheme Actuary, the Pension Fund will move into a negative cash flow situation in fiscal 2017 as total benefit payments and other expenses exceed the total contributions'*: This raised the issue of the Fund needing to take investment income to cover a negative cash flow. To have not acted to provide a stable cash flow from investments at that time would have undermined the ability for the Fund to remain unbeholden to market conditions.

Following this SAA Review, in Q1 2018 10% of the Fund was moved from a Baillie Gifford Multi-Asset portfolio to the Fidelity Mult-Asset Income portfolio and 5% of the Fund was switched from the Standard Life Multi-Asset (GARS) portfolio into the Fidelity UK Commercial Property portfolio. Additionally, in Q2 2018, a further 10% of the Fund was switched from a Blackrock Global Equity portfolio to the Schroders Multi-Asset Income portfolio. The income from the three new portfolios was not reinvested as all income had been in the past but returned to the Fund to cover any cash flow shortfall.

In subsequent Actuarial revaluations the cash flow of the Fund has been reanalysed and whilst the figures have changed, the direction of travel towards a negative cash flow for the Fund with pension contributions no longer covering pension payments has remained.

Should Multi-Asset Income funds perform any better than plain Multi-Asset funds?

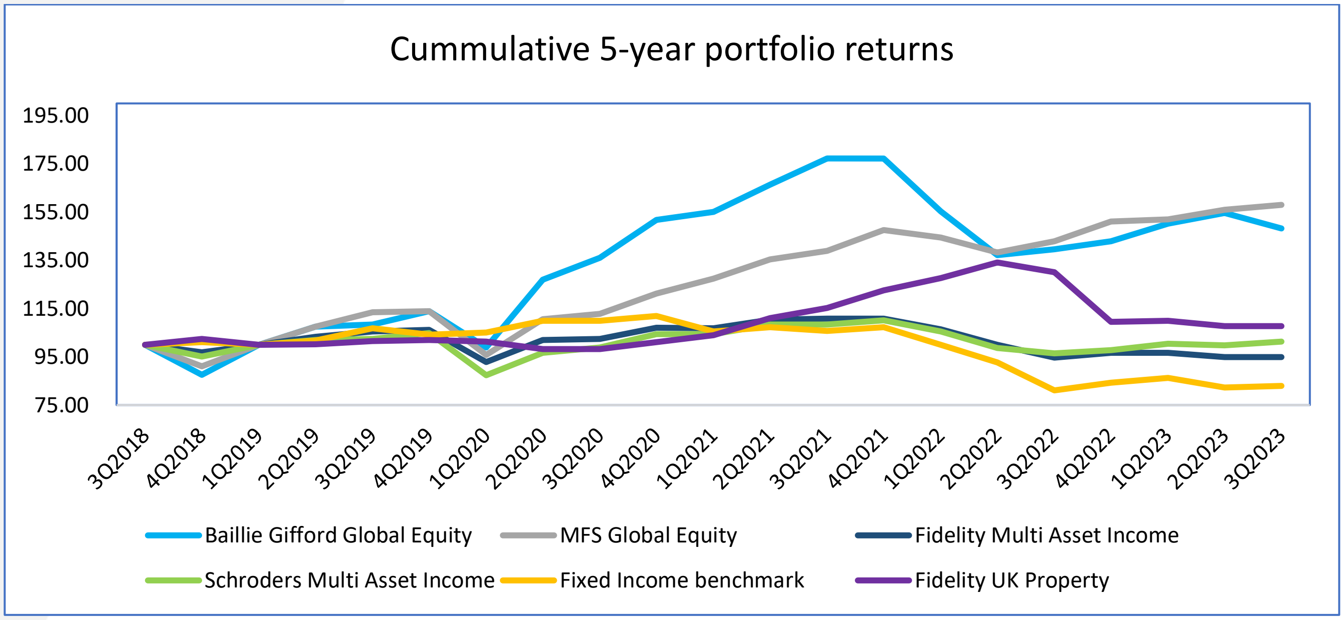
In theory, Multi-Asset Income funds should provide a less volatile return and more stable income than plain Multi-Asset funds. The Focus on income requires the fund manager to concentrate on the balance sheet of any investment and analyse the repeatability of interest or dividend payments. This should lead to a concentration on less risky investments with more secure cash flows. In addition, I personally feel that Multi-Asset funds which target a level of volatility and thereby risk, are at a disadvantage. The opportunity to add value (alpha) from asset allocation decisions is not linear over time. There are occasions when markets are volatile and stressed and asset prices will be out of balance. In these circumstances, an asset allocator can make decisions with high levels of confidence and conviction. In less stressed market conditions asset prices are less likely to be wildly out of line with their fair value and yet an asset manager working from a set risk budget still needs to make decisions and allocate risk despite having a low level of conviction that any assets are mis-priced. This is much less of an issue with Multi-Asset Income funds where the primary focus is on the generation of a repeatable income. These views are supported by the long-term performance of Fidelity's Multi-Asset Income portfolio when compared to the other Multi-Asset portfolios it manages.

Has the allocation to Multi-Asset income Funds worked?

The two Multi-Asset Income portfolios have delivered a yield of approximately 4% throughout the period from initial investment to the present day. Current yields are at 5-6% due to higher bond yields but for much of the time the Fund has been invested in these portfolios income has been hard to come by as Government bond yields approached 1% across much of the developed world.

Whilst the cash flow out of the Fund has not been as negative as initially predicted in the actuarial reviews it has been negative and required an element of investment income to contribute towards the payment of pensions. By receiving income from the two Multi-Asset Income portfolios and the UK Property portfolio the Fund has covered any cash flow shortfall. This has meant that the Fund was not forced to sell assets at any stage over the last 5 years, even during the market turbulence induced by the Covid outbreak. In fact, early on in the Covid outbreak, and again as inflation took off following the Russian invasion of Ukraine, a major focus of the pension officers and myself has been to stress test the cash flow models and forecasts for the Fund to ensure that, even under periods of stress, the Fund did not have to sell assets to meet pension payments.

Chart 1 – Portfolio returns over the last 5 years



As can be seen in the chart above, the two equity portfolios have returned cumulatively around 50% over the last 5 years whilst the Fund's bond portfolio, which is focused on UK Investment Grade Corporate Bonds, has fallen close to 20%, with UK Commercial property up 7% over the last 5 years. The two Mult-Asset Income funds are flat (Schroders) and down 5% (Fidelity).

The Fund remains committed to investing in global equities to provide long-term investment growth and this is stated in the Fund's Investment Strategy Statement (ISS) but to do this I do feel the Fund needs other assets to diversify the equity risk especially as we may be entering a period where there is a positive rather than negative correlation between equities and bonds making true diversification harder to come by..

It is my view that by having an allocation to Multi-Asset Income the Fund is better placed to retain a higher allocation to more volatile asset classes including global equities. The Multi-Asset Income portfolios provide an element of diversification but also the security of cash flow.

How have Multi-Asset Income portfolios performed over the last 5 years?

The answer is mediocre at best. The two Multi-Asset Income portfolios have produced a return roughly equivalent to a portfolio invested 80% in Bonds and 20% in Equities and yet, in reality, their actual allocation is roughly 20% Equities, 60% Bonds including high yield and 20% Alternatives. The disappointing performance is, in part, because the only assets to have added value over the last 5 years have been equity based investments. Anything with a long duration has been hit hard by rising interest rates, this includes Bonds, Property and more recently Infrastructure.

The Chart above shows Fidelity's asset allocation within their Multi-Asset Income portfolio over time. The allocations do not add up to 100% due to the use of some derivatives, often as hedges. The poor performance of the last year in particular has been driven by the increased allocation to Government Bonds through early 2022 prior to the market sell-off in late 2022. Schroders take slightly more equity risk than Fidelity in their Multi-Asset Income portfolio as they have a return target of cash +5% to Fidelity's cash +4%. This has aided Schroders performance over the last 5 years as they have held a slightly higher allocation to equities.

The Fidelity Multi-Asset Income portfolio has lagged the similar Schroders product and, to my knowledge, other similar products in the market by 5% over the last year, mainly through a higher allocation to Government Bonds through 2022 but also through an allocation to Chinese government debt which was affected negatively by the problems in the Chinese real estate market.

Because the two Multi-Asset Income portfolios target income there is only a partial overlap with the Fund's other investment managers. Schroders do use passive index products to gain exposure to equity markets on occasion but both managers also target high yielding stocks which are much less likely to be held directly by either of the Fund's two Global Equity managers. Both Schroders and Fidelity also invest into Emerging Market debt and High Yield debt which the Fund is not otherwise exposed to. The main overlap with the Fund's other managers would be in Investment Grade Bonds but neither manager has had a particularly high exposure to this asset class in the past as it has not provided enough yield.

Post the period of poor performance by Fidelity, the lead manager of this portfolio has been changed. I have met with the new manager who is experienced having run similar portfolios at JP Morgan and Jupiter. It makes sense to bring in a new pair of eyes at this stage although the new manager strikes me as more combative and will need to build a good relationship with the existing team. Fidelity have also invested in better monitoring software to look through the holdings within the portfolio to access whole portfolio risk better. I am agnostic regarding the manager change at the current time seeing it as a reaction to a short period of poor performance and a desire to show change.

I have had a number of discussions with the existing manager and the head of Multi-Asset investing at Fidelity about the level of diversification within this portfolio, this stems from my expectation that equities and bonds will be positively rather than negatively correlated going forward and that the level of that correlation will itself be more volatile than in the past. I have encouraged that manager to look for stronger diversification outside of equities and bonds rather than use long duration bonds as a diversifier from equity risk.

Going forward, it is unlikely that global equities remain the only asset class offering a positive return over time. Diversification has not worked over the last 5-10 years but perhaps this is because we have not had a conventional recession over that period.

As noted at the start of this report, it remains my advice that the Fund continues to invest in a Multi-Asset Income portfolio to meet its cash flow requirements. In addition, I remain supportive of both the manager currently used despite the recent poor performance by Fidelity. I see this period of poor performance as being due to one bad tactical allocation to Chinese Government debt and one more fundamental mistake in seeing long duration UK bonds as diversifiers and insurance against a poor equity market environment when in fact the problem was in the long duration bond market when interest rates rose sharply. The manager recognised the issues and has acted to alter the management team and processes to assist in rectifying the issue.

APPENDIX 6

London Borough of Bromley Pension Fund

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. **Officers have engaged LCIV to produce a climate analytics report pro bono. Officers will consult with Members on which scenarios are to be modelled, and for approval of the final report. Apex has been approached to cover any TCFD requirements not covered by the LCIV service.**
2. Investment Policy - pooling	DLUHC issued a consultation in 2023 on a number of investment-related proposals for the LGPS. After having considered the responses, the Government has announced (see here) that the statutory guidance on investment strategy statements (ISS) will change to say that funds should **transfer all assets into their respective investment pools by 31 March 2025**, with 'comply or explain' provisions backing this expectation. The revised guidance will also require that funds formulate plans to **invest up to 5% of their assets in levelling-up projects** (actual investments may be more or less than 5%, depending on what is appropriate for the fund) whilst other guidance will expect them to report on	We await revised pooling guidance.	LBB provided a full response to the consultation, after consideration by Members at the 11 September meeting.

	progress against the plan. The ISS guidance will reflect the Government's 'ambition' for funds to **invest 10% in private equity**; they will be encouraged to explore suitable opportunities with the British Business Bank.		
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 has reached the 3rd reading stage in the House of Commons.	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 • Demonstrating compliance and offering resilience	• Consultation on final regulations is expected in 2024.	As and when related regulations are published by DLUHC an action plan will be produced.

Administration

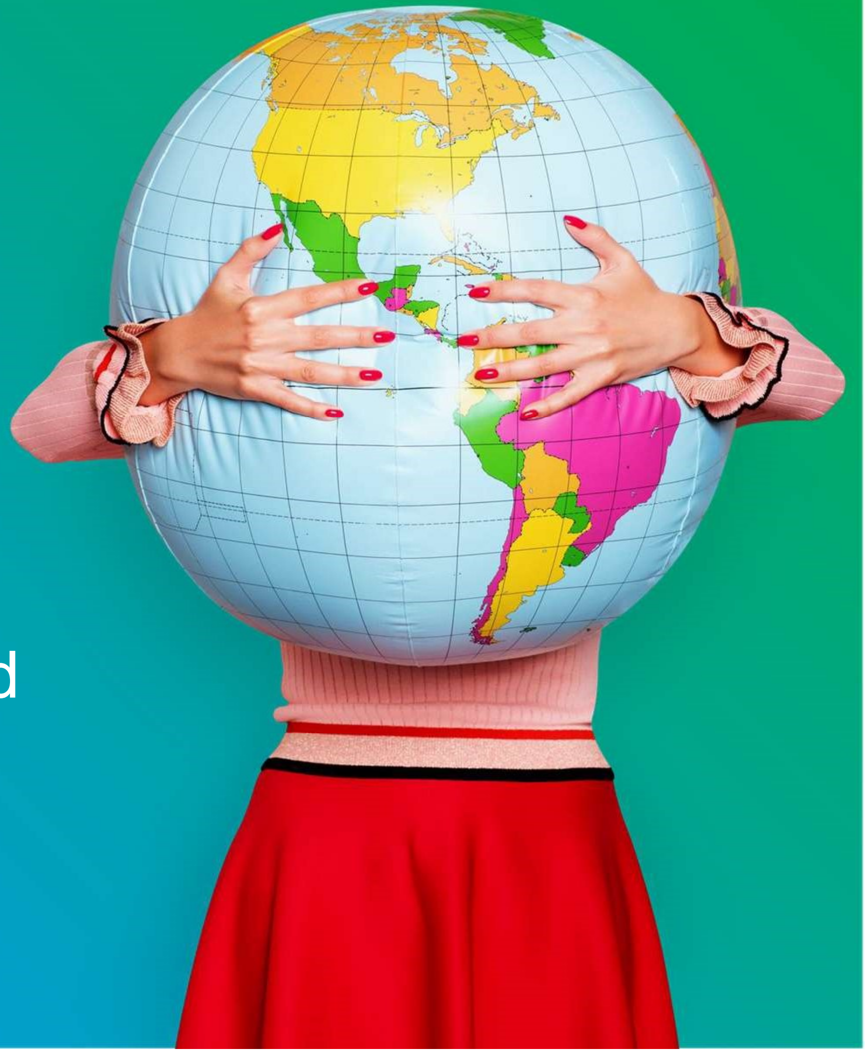
	Topic	Description	Timescale	
1.	Exit Payment Cap	The Government has stated its intention to bring back the exit cap (also known as the £95K cap). In addition, we understand that it still plans to introduce changes to LGPS and Compensation Regulations at the same time as the exit cap is re-introduced.	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.	In accordance with section 131 of the Public Service Pensions and Judicial Offices Act 2022, the McCloud remedy (to the extent not already in force) came into force on 1 October 2023. The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 also came into force on 1 October 2023. These regulations extend the statutory underpin so that all eligible members benefit from a guarantee that their benefits under the reformed LGPS, in respect of relevant service, will not be less than the amount they would have been entitled to under the legacy LGPS.	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 accrued between 17 May 1990 and 5 April 1997 between male and female members.	The position is currently under further consideration with Treasury.	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. 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 2024 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.	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 "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.	With effect from 6 April 2028.	LBB will ensure that communications to members reflect this change.
4.	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. There will be engagement between the Pensions Dashboards Programme (PDP), DWP [Department for Work and Pensions], industry, and regulators on draft guidance before it is finalised.	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.

Actuarial Valuation - Climate Change Scenario Analysis



London Borough of Bromley Pension Fund

March 2023

welcome to brighter

Introduction

Funds are required to undertake climate change scenario analysis as part of the funding valuations both as good practice and also for the purpose of the Section 13 report. We have worked with GAD and the other actuarial firms to develop the principles underpinning the approach Funds will be required to take for this.

The analysis aims to illustrate the different elements of risk under two alternative climate change scenarios based on the current strategic allocation. The scenarios are not meant to be predictors of what may happen and are only a small subset of a very wide range of scenarios that could arise depending on the global actions taken in relation to climate change. The actions taken (both historically and in future) by the Fund in relation to making its asset portfolio more sustainable is or will be set out in the separate Taskforce for Climate Change (TCFD) reports. This will include analysis of the asset portfolio, adopting the same (or similar) scenarios.

Next steps

Whilst this basic analysis has been prepared to satisfy the requirements for the 2022 actuarial valuation, it could be developed further in order to improve understanding and therefore management of climate risks for pension scheme funding. We would be happy to work with the Fund in conjunction with your investment adviser to extend this over the course of 2023. For example to consider the impact of alternative climate change scenarios over a longer time horizon to better illustrate the associated risks (noting the long-term nature of both the Fund and the impacts of climate change); and of adopting alternative investment strategies which could, for example, be used to illustrate the potential impact of increasing sustainable tilts on overall risk. Whilst asset returns will be a key part of the further analysis undertaken, incorporating potential liability impacts provides more insight into the potential financial consequences in terms of contribution outcomes, and has the benefit of maintaining consistency with the analysis undertaken for the 2022 and future actuarial valuations. We will also incorporate the impact of other factors e.g. life expectancy in 2023 as the thinking on climate change evolves.

We look forward to discussing the contents of the report with you.

Clive Lewis FIA

Overview

We have considered climate change scenario analysis using our model which has been developed in partnership with Ortec Finance. Ortec Finance develop a broad range of scenarios and long-range projections on how the climate crisis could impact funding and investments, from a "rapid transition" that limits warming to 1.5°C to a "failed transition" with warming above 4°C. The collaboration enables us to provide you with analysis to better understand the strategic risks and opportunities presented by climate change. We have modelled the climate shock impacts over 20 years and included the two funding level projection scenarios noted above - a "rapid transition" and a "failed transition" – which is in line with the core requirements for the 2022 valuation. This is compared to the baseline (a projection using both the valuation assumptions and the best estimate – i.e. valuation assumptions with prudence removed) to show the overall prudence built into the valuation, and how much of this could potentially be eroded by climate change. We have also shown the impact on a relative basis which is the critical metric. For the actuarial valuation report we will show the relative impact as this measures climate risk but we will also comment on the level of prudence built into the assumptions. The approach taken will also be summarised in the Funding Strategy Statement.

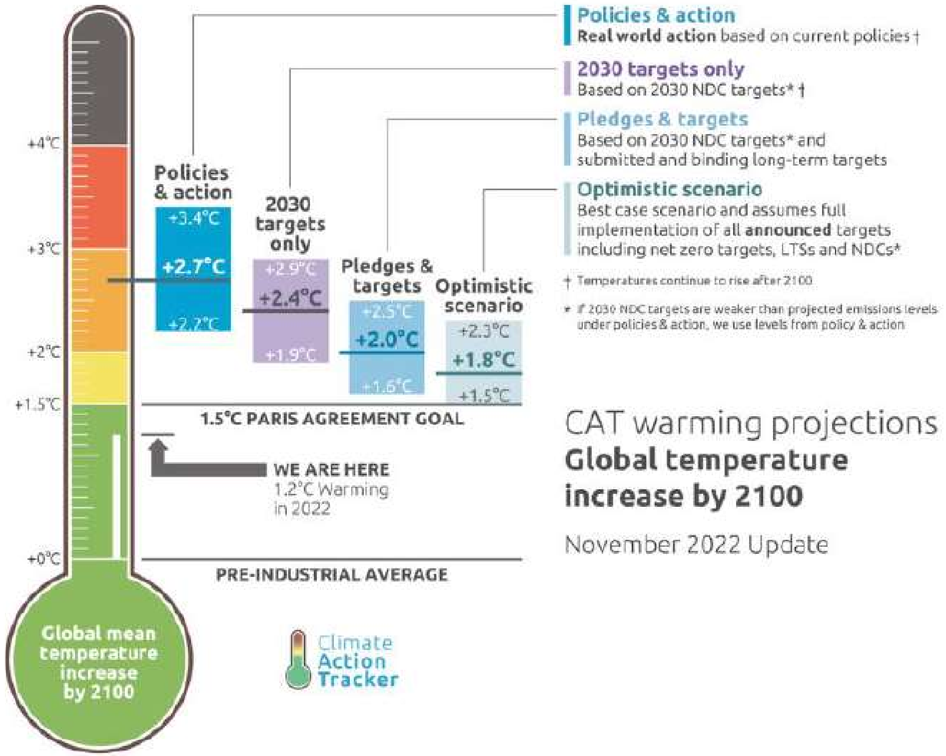
Our scenarios apply a more nuanced approach to understand what is/is not priced in to the markets in terms of transition and physical risks. They include assumptions about what is currently priced into markets, and later price in shocks when the markets account for future impacts (both physical and transition impacts). There is also a granular insight into sector and regional impacts for equities, corporate bond and high yield allocations, with fixed income analysis considering the impact of changes in yield, spread, transitions and defaults.

It is important that we ensure any messaging is understood and recognises the potential risks of the impact of Climate Change as well as what the Fund is doing to address this via its investment strategy.

Why is Climate scenario Analysis important?

Where are we currently heading?

- Climate change is a systemic risk.
- The world is already experiencing ~1.2ºC of warming compared to pre-industrial times.
- The Paris Agreement (2015) aims to keep global mean surface temperatures to "well below 2ºC above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5ºC".
- Under global policies we are currently on track for ~2.7ºC of warming to the end of the century. More remains to be done to meet the ambition of the Paris Agreement.
- It is important that investors assess their portfolio's resilience to different climate scenarios and also consider the impact of their portfolios on future climate trajectories.



Source: https://climateactiontracker.org/

Climate scenario analysis
What is transition and physical risk?

Risk Factors

Transition

Technology

Policy

Physical damages

Availability of natural resources (inc biodiversity)

Chronic Damage (including productivity)

Acute Damage (catastrophes)

Sudden asset re-pricing risk

Opportunities from the low carbon transition

Sector performance divergence – energy, transport and agriculture most impacted

Physical risks increasingly dominate over longer term

In order to fully assess climate-related risks and opportunities, we must consider both transition and physical impacts.

Mercer

Mercer's Climate Scenarios

Our Mercer scenarios are constructed to explore a range of plausible futures over the projection period (up to 40 years can be considered), rather than exploring tail risks. In shorter timeframes, transition risk tends to dominate while over longer timeframes physical risk will be the key driver of climate impacts. A key strength of our scenarios is that they allow for climate impacts to be "priced-in" before they happen. This reflects likely market dynamics and means climate impacts are more likely to fit within investment timeframes.

The two scenarios considered for the purpose of the core analysis are as follows:

- **A Rapid Transition** – Average temperature increase of 1.5°C by 2100. Sudden divestments across multiple securities in 2025 to align portfolios to the Paris Agreement goals which have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Following this shock there is a partial recovery.
- **A Failed Transition** – Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy and global warming exceeds 4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. These are reflected in repricing events in the late 2020s and late 2030s.

Our assumptions for modelling the **Rapid Transition** and **Failed Transition** scenarios are shown on the next page.

Mercer supports limiting warming to 1.5°C but recognises that given the current warming trajectory, based on existing policies and actions, this pathway may represent a short term shock to investment portfolios. Investors should position their portfolios for a low carbon transition while also understanding the potential impact of physical damages

Modelled Strategy

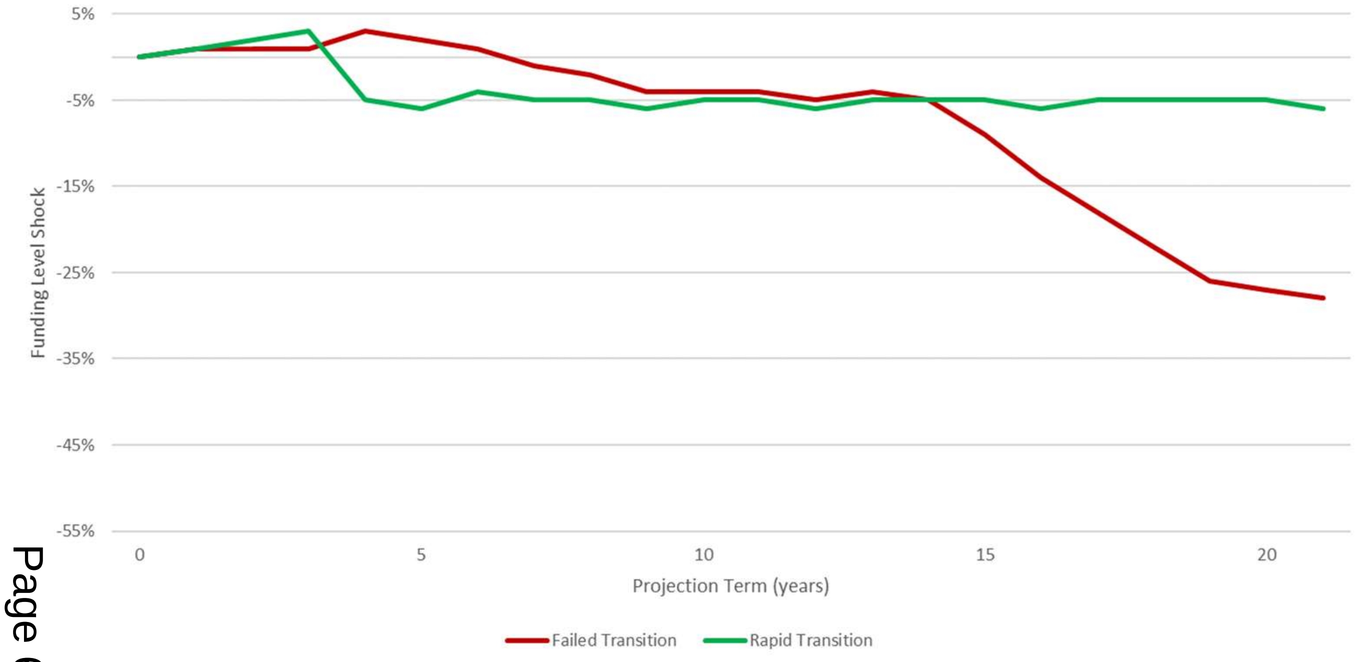
Modelling Asset Class	New Strategy Partially Sustainable SAA (%)
MSCI ACWI Equity	58.0%
UK Investment Grade Credit	9.3%
Global Real Estate	5.0%
UK Sovereign Bonds	3.8%
UK Real Estate	4.0%
Multi Asset Credit	20.0%

The table illustrates the asset allocation we have modelled (taken effective as at 31 March 2022 for simplicity). The projections are from 31 March 2022 with an initial asset value of £1,339m and an initial liability value of £1,163m*. We have made some simplifying assumptions that contributions and accrual into the Scheme offset benefits paid out of the Scheme. This should not have a material impact on the outcome.

Under the two baseline scenarios on slide 9 assets are projected assuming an average best estimate expected return (CPI+3.6% p.a.) and prudent valuation assumption (CPI + 1.0% p.a.) from 31 March 2022, to be consistent with the valuation position. Liabilities are projected on the basis of unwinding the valuation discount rate of CPI+1.0% p.a. only.

*includes economic / inflation reserve for those employers who have requested it

Analysis Outcome
Funding Level Projection – Relative impact



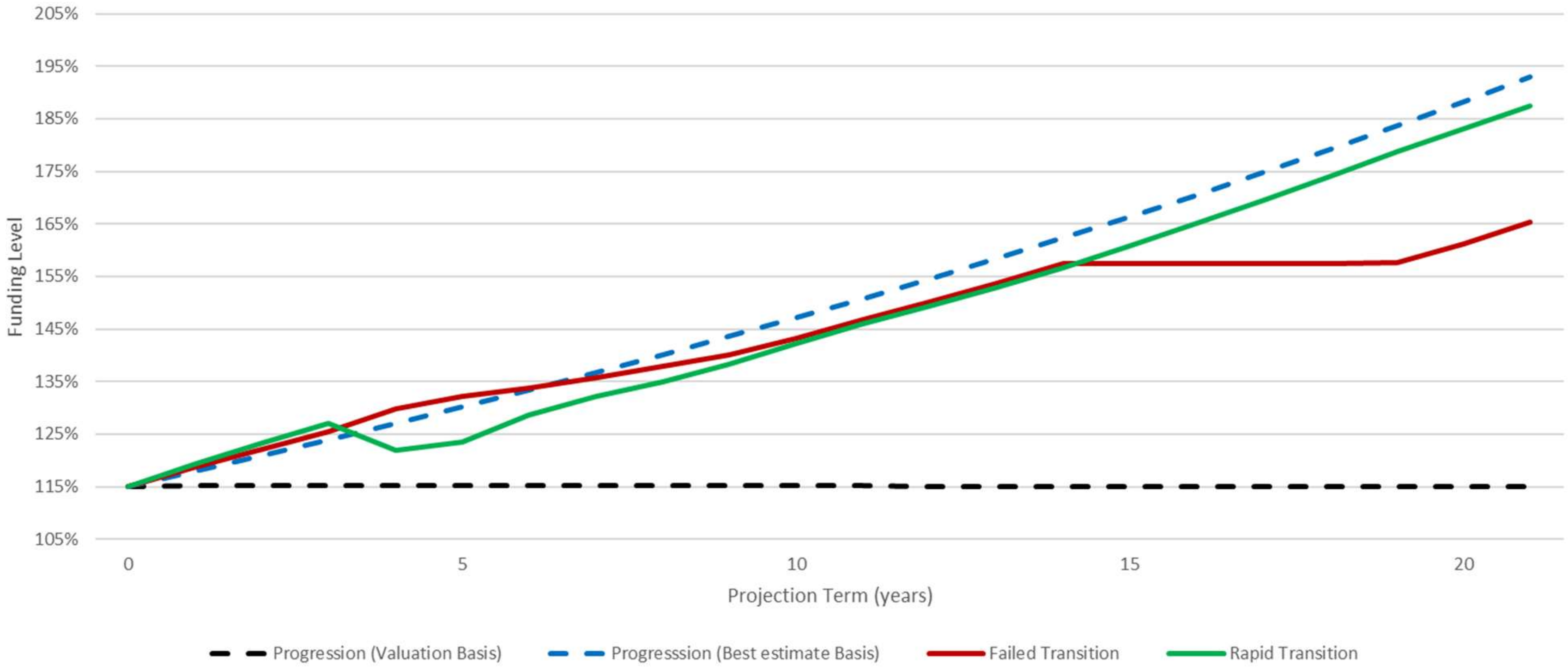
Key points at different time frames :

Over the short term, transition risk dominates. The Rapid Transition is the most impactful scenario. Under this scenario there is a shock which reduces the funding level by about 5% relative to baseline. The Failed Transition funding level is marginally higher than the baseline in the short term due to transition costs not materialising.

As longer term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. Extending the projection period out further would provide greater insight into these impacts

Mercer

Analysis Outcome
Funding Level Projection – Absolute impact



Overall, across a range of timescales, climate impacts have the potential to impact prudence margins from the actuarial basis (which is illustrated as the difference between the two dash lines). This would leave the funding strategy more exposed to other risks e.g. economic, market and demographic risks. Given the long-term nature of the Fund we recommend this analysis is further extended to consider the impact of alternative investment strategies and the longer time horizon.

Mercer

Supporting Information

Introduction to Climate Scenario Analysis
Scenario Construction

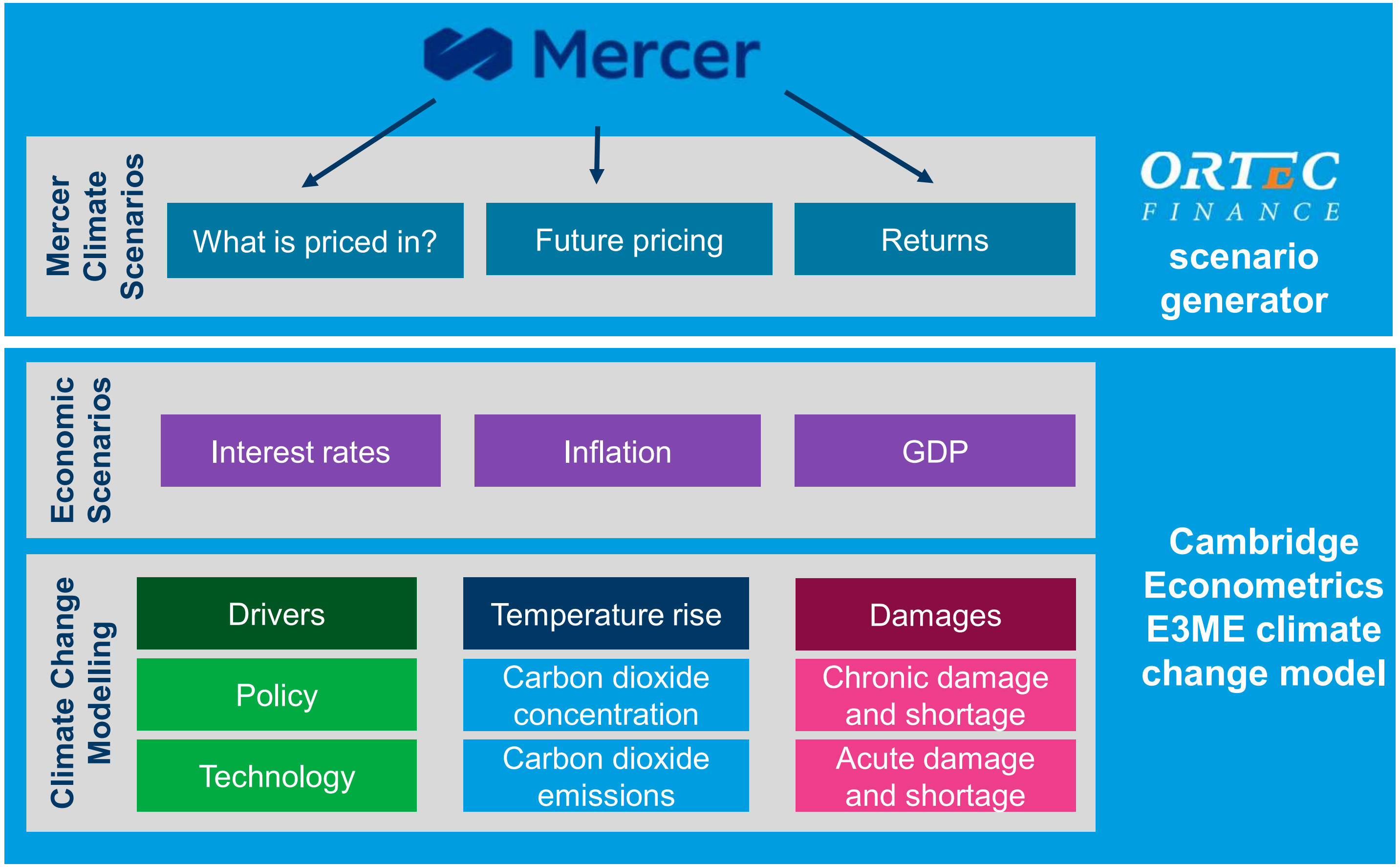
Mercer has partnered with Ortec Finance and Cambridge Econometrics to develop climate scenarios that are grounded in the latest climate and economic research and give practical insights.

Mercer's climate scenarios are developed by building the investment modelling on top of the economic impacts of different climate change scenarios within the E3ME climate model.

Each climate scenario covers a specific level of warming driven by levels of carbon dioxide (CO_2) and other green house gases. These levels are determined by the policies enacted and the technological developments. The impacts of the warming are shown in the physical damages. E3ME maps this to economic impacts and Ortec's scenario generator maps the economic impacts to investment return impacts by making assumptions on what is priced in currently and how future pricing shocks will occur.

Mercer's scenarios include our own views on what is priced in and are built on Mercer's climate aware capital market assumptions.

Page 63



Modelling Assumptions – Background

	Failed transition	Rapid transition
Summary	**The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.**	**Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.**
Temperature change	Average temperature increase of >4°C by 2100.	Average temperature increase stabilises at 1.5°C around 2050.
Cumulative emissions	5,127 $GtCO_2$ (2020-2100)	416 $GtCO_2$ (2020-2100)
Key policy & assumptions	Existing policy regimes are continued with the same level of ambition.	An ambitious policy regime is pursued to encourage greater decarbonization of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation. This is earlier and more effective under a Rapid Transition than the Orderly Transition, which allows for less investment in energy efficiency and bioenergy with carbon capture and storage.
Financial climate modelling	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.
Physical risks considered	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: • Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) • Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).	

Modelling Assumptions – Cumulative Climate Return Impacts for:

Asset Class	Failed Transition		Rapid Transition	
	30/06/2022			
	5 Years	20 Years	5 Years	20 Years
MSCI ACWI Equity	2.9%	-28.9%	-11.6%	-7.8%
UK Investment Grade Credit	0.3%	-2.5%	-2.3%	-2.3%
Global Real Estate	0.8%	-21.7%	-4.3%	-0.6%
UK Sovereign Bonds	0.3%	-0.4%	0.2%	0.5%
UK Real Estate	0.8%	-28.9%	-6.3%	-1.3%
Multi Asset Credit	-0.3%	-2.1%	-3.1%	-4.7%
MSCI ACWI ESG Equity	2.2%	-29.6%	-8.8%	-4.4%

Mercer

Important notices

This report contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

This does not contain regulated investment advice in respect of actions you should take. No investment decision should be made based on this information without obtaining prior specific, professional advice relating to your own circumstances.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes No responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

- This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.
- Mercer has entered into a global agreement with Ortec Finance on the use of their climate scenarios and the agreement is based on a "per-client" fee. Therefore the data, assumptions and results of the attached report can only be used for this particular client and cannot at any moment be shared with another Mercer client or prospect as this would result in a breach of contract with Ortec Finance.
- For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest

Actuarial advice

- We have prepared this document for the Administering Authority for the purpose of advising on the 2022 valuation
- "Technical Actuarial Standard 100: Principles for Technical Actuarial Work" issued by the Financial Reporting Council applies to this presentation and the associated work, and we confirm compliance with this standard. This presentation should be read in conjunction with our report on the actuarial valuation of the Fund as at 31 March 2019.
- Unless otherwise stated, we have relied on the information and data supplied to us in preparing the information, without independent verification. We will not be responsible for any inaccuracy in the advice that is a result of any incorrect information provided to us.
- Mercer does not accept any liability or responsibility to any third party in respect of this report.
- This presentation is confidential and may not be disclosed in whole or part to any third party without Mercer's prior written consent, unless required by law or order of a court or regulatory body.
- Mercer retains all copyright and other intellectual property rights in this presentation.
- We are not lawyers, tax specialists or accountants. We are unable to give legal/tax/accountancy advice. If you think such advice is appropriate, you are responsible for obtaining your own professional advice.
- This presentation is correct as at March 2023. It will not be updated unless requested.

Report No.
CSD24033

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**LOCAL PENSION BOARD**
Date:	**29 February 2024**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PERFORMANCE MONITORING REPORT 2023/24 TO JANUARY 2024**
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

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.

---

2. RECOMMENDATIONS

2.1 Members of the Local Pension Board are asked to note:

1) **The Pensions Regulator Code of practice 'Governance and administration of public service pension schemes' as a guide to good governance;**

2) **The procedures and policies in place to monitor Liberata's performance; and,**

3) **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): 6,387 current active members, 8,014 deferred pensioners and 6,123 pensioner members (for all employers in the Fund) as at 31 January 2024.

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 1 April 2023 and 31 January 2024 and Appendix 2 comprises the Bromley Pension Update.

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. LEGAL IMPLICATIONS

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

Non-Applicable Sections:	Procurement/Personnel/Financial Implications 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"

APPENDIX 1

LONDON BOROUGH OF BROMLEY

PERFORMANCE MONITORING REPORT

2023-2024

LONDON BOROUGH OF BROMLEY - LOCAL PENSION BOARD
PERFORMANCE REPORT
INDEX

Contents **Page No**

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 2023 are:

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 the 5 October 2023 deadline.

Newsletter - the Annual Newsletter was distributed in January 2024 by email via the employers – see Appendix 2.

McCloud Exercise - McCloud provisional report has been run for active members and errors are currently being investigated.

Member Self Service (MSS) - several requests for activation codes but still receiving a large volume of requests for manually processed estimates for members.

I-Connect Project - training to be supplied by Heywood, scheduled for 22 February 2024.

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	58	51	80	88		
<=10 days	53	61	37	35	61	85	58	51	80	88		
%<=10 days	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	28	33	52	40	51	37	28	25	19	14		
<=15 days	28	31	52	39	50	33	26	20	17	11		
%<=15 days	100	94	100	98	98	89	93	80	89	79		
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	20	11	20	15		
<=10 days	15	22	29	24	18	19	19	10	19	15		
%<=10 days	100	100	91	100	100	86	95	91	95	100		
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	0	0	0	0		
<=10 days	0	1	0	0	0	0	0	0	0	0		
%<=10 days	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	95	79	67	76	92	104	76	74	82	85		
<=20 days	95	79	67	76	91	99	69	70	79	81		
%<=20 days	100	100	100	100	99	95	91	95	96	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	8	10	9	5		
<=10 days	3	2	6	2	7	6	6	10	9	3		
%<=10 days	100	100	100	100	100	100	75	100	100	60		
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	9	9	8	16		
<=10 days	11	11	8	7	4	9	9	9	8	16		
%<=10 days	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	13	24	18	15	17	12	8	6	13		
<=10 days	7	13	24	18	15	17	12	8	6	10		
%<=10 days	78	100	100	100	100	100	100	100	100	77		
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	2	0	0	0		
<=5 days	0	0	0	0	3	0	2	0	0	0		
%<=5 days	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 January 2024, there were 267 retirement grants paid, of which 261 were met in the KPI target. This is equivalent to a performance standard level of 98%.

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	35	22	38	23		
<=10 days	23	21	23	30	29	21	35	21	37	21		
%<=10 days	100	100	96	100	97	100	100	95	97	91		
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	35	22	38	23		
<=10 days	23	21	23	30	29	21	35	21	37	21		
%<=10 days	100	100	96	100	97	100	100	95	97	91		
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	35	22	38	23		
<=10 days	23	21	23	30	29	21	35	21	37	21		
%<=10 days	100	100	96	100	97	100	100	95	97	91		
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.3 Transfers

In the year to 31 January 2024, there were 22 enquiries in relation to transferring in, of which 21 were met in the KPI. This is equivalent to a performance standard level of 95%.

There were 44 enquiries in relation to transferring out, of which 37 were met within the KPI. This is equivalent to a performance standard level of 84%.

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	4	2	0	1		
<=10 days	8	3	0	2	1	0	4	2	0	1		
%<=10 days	100	100	100	100	100	0	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	1	0	1	1	0	1	0	0	2		
<=10 days	1	1	0	1	0	0	0	0	0	2		
%<=10 days	100	100	100	100	0	100	0	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	0	0	3	1	3	1	1	0	2	1		
<=10 days	0	0	3	0	2	1	1	0	2	1		
%<=10 days	100	100	100	0	67	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	3	5	3	11	12	10	5	2	1	0		
<=10 days	3	4	3	9	12	10	4	2	1	0		
%<=10 days	100	80	100	82	100	100	80	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	2	2	5	4	5	3	3	1	0		
<=10 days	1	2	2	5	4	5	3	3	1	0		
%<=10 days	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	4	5	7	4	6	5	4	4	1	2		
<=10 days	3	5	7	3	6	5	4	4	1	2		
%<=10 days	75	100	100	75	100	100	100	100	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	5	7	2	2		
<=10 days	2	5	2	5	7	4	5	5	1	1		
%<=10 days	100	62	100	100	100	100	100	71	50	50		
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	1	1	0	2		
<=10 days	0	1	0	0	2	1	1	1	0	2		
%<=10 days	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	4	6	11	26	19	18	9	4	8	1		
<=10 days	4	5	10	23	19	13	8	4	6	0		
%<=10 days	100	83	91	88	100	72	89	100	75	0		
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	12	9	4	10		
<=10 days	5	9	12	3	8	2	12	8	4	6		
%<=10 days	100	82	100	75	100	40	100	89	100	60		
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.4 Deaths

In the year to 31 January 2024, there were 111 death cases, of which 111 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	9	11	15	30		
<=5 days	10	24	14	13	7	25	9	11	15	30		
%<=5 days	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	14	8	9	5	15	18	19	12	2	9		
<=5 days	14	8	9	5	15	18	19	12	2	9		
%<=5 days	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 - 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	0	0	0	3		
<=5 days	4	1	2	1	3	1	0	0	0	3		
%<=5 days	100	100	100	100	100	100	100	100	100	100		
Target 100%	100	100	100	100	100	100	100	100	100	100	100	100

2.5 Complaints

Customer satisfaction is monitored through the volume of repeat enquiries and complaints.

I set out overleaf 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 (not justified)
October	*None*	
November	*None*	
December	*no offsetting the overpayment of the deceased member's pension against widower's pension*	1 (not justified)
January	None	
	Total Complaints in 2023-24	**2**

3. Analysis of Fund membership data

The table below shows the latest membership data, as at 31 January 2024 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		08-Sep-23		04-Oct-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**

Date of Report	14-Nov-23		01-Dec-23		11-Jan-24		12-Feb-24					
Status as at	30-Sep-23	**31-Oct-23**	31-Oct-23	**30-Nov-23**	30-Nov-23	**31-Dec-23**	31-Dec-23	**31-Jan-24**	31-Jan-24	**29-Feb-24**	29-Feb-24	**31-Mar-24**
1 Active	6208	**6184**	6184	**6207**	6207	**6226**	6226	**6387**				
2 Undecided leaver	1387	**1414**	1414	**1421**	1421	**1425**	1425	**1429**				
4 Deferred pensioner	6591	**6603**	6603	**6598**	6598	**6586**	6586	**6585**				
5 Pensioner	5336	**5361**	5361	**5370**	5370	**5387**	5387	**5395**				
6 Widow/dependant	728	**728**	728	**727**	727	**725**	725	**728**				
9 Frozen refund	1114	**1110**	1110	**1112**	1112	**1111**	1111	**1108**				
Total membership	21364	**21400**	21400	**21435**	21435	**21460**	21460	**21632**	0	**0**	0	**0**
3 Leaver - no liab	10143	**10173**	10173	**10190**	10190	**10209**	10209	**10223**				
7 Death	5037	**5044**	5044	**5070**	5070	**5080**	5080	**5108**				
8 Opt out within 3 mths	3239	**3249**	3249	**3260**	3260	**3266**	3266	**3281**				
Total on stats report	39783	**39866**	39866	**39955**	39955	**40015**	40015	**40244**	0	**0**	0	**0**

End of Document

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.

This page is left intentionally blank

Bromley
Pension Update

Winter 2023/24

THE LONDON BOROUGH
www.bromley.gov.uk

LGPS rule change – the McCloud judgment

What is McCloud?

When the Government reformed public service pension schemes in 2014 and 2015, older members were protected from the changes. In December 2018, the Courts ruled that younger members of the judges' and firefighters' pension schemes had been discriminated against because the protections did not apply to them.

This ruling is called the McCloud judgment after a member of the judges' pension scheme involved in the case.

The rules of all public service pension schemes, including the LGPS, changed from 1 October 2023 because of the ruling. The changes are known as the McCloud remedy and they remove the age discrimination found in the McCloud judgment.

In the LGPS, older members were protected by the underpin. When a protected member retired, their pension in the career average scheme was compared with the pension they would have built up in the final salary scheme. If the final salary pension would have been higher, their pension increased.

From 1 October 2023, eligible younger members are also protected by the underpin. Not all LGPS members are eligible for protection. The underpin will protect the pensions of eligible members that they built up in the remedy period. The remedy period is from 1 April 2014 to 31 March 2022. Underpin protection stopped earlier if you left the LGPS or reached your final salary normal pension age before 31 March 2022.

What do you need to do?

You do not need to take any action. We will work out if you are protected. If you are, when you take your pension, we will work out if it will increase because of the underpin. Any increase is known as a 'final guarantee amount'.

Not many members will get a 'final guarantee amount' because, for most members, the pension they built up in the career average scheme is higher than they would have built up in the final salary scheme.

Active members

If you are a protected active member, we will include information about how the underpin might affect your pension in your 2025 annual benefit statement. We must issue this by 31 August 2025.

If you leave the LGPS, we will work out provisional underpin figures for you. We can only work out the final figures and any increase to your pension 'a final guarantee amount' when you take your pension.

Find out more

You can find out more about the judgment by reading the McCloud pages of the national LGPS member website - England and Wales: **www.lgpsmember.org/mccloud-remedy/**

Member Self Service

You can now access your own pension records online, through Member Self Service (MSS).

- **Deferred Pension Benefit Projector** which estimates what your pension could look like if you left employment on a certain date.
- **Voluntary Retirement Projector** which estimates what your pension could look like if you retired on a certain date.
- **Dependant Pension Benefit Projector** which estimates what dependants could receive were you to die on a certain date.
- **View LBB LGPS Annual Allowance** figures to enable you to calculate tax liabilities.
- **Change address details** online quickly and easily to ensure your pension follows you.

To register for this free service please visit **https://bromley.pensiondetails.co.uk** to request an activation key. This will be sent to you either by email or post depending on whether we hold your email on record. Once received, simply return to the above site to activate your account, after which you will be able to access these services at your convenience. This service is available 24 hours a day, 365 days a year.

Pensions Key Performance Standards

Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Performance standards are used to monitor and improve performance. Performance is reported regularly to the Council and is published annually for the information of Scheme members.

Liberata's commitment to Scheme members is:

As administrators of the Bromley Fund, we aim to provide you with good quality service and to communicate effectively. Liberata aim to:

- RRespond 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 2022/23) 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 members by the end of August and deferred members by middle of September.
- Advise pensioners in April of the annual increase to their local government pension. *Pensions increase letters issued to all pensioners in April.*

Contributions Rates For 2023/24

The rate of pension contributions that you pay each year is reassessed by your employer at the beginning of each tax year, according to your level of pensionable earnings. The earnings bandings are reviewed each year in accordance with changes to the Consumer Prices Index, and the bandings for 2023/24 are shown below:

Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £16,500	5.5%	2.75%
2	£16,501 to £25,900	5.8%	2.9%
3	£25,901 to £42,100	6.5%	3.25%
4	£42,101 to £53,300	6.8%	3.4%
5	£53,301 to £74,700	8.5%	4.25%
6	£74,701 to £105,900	9.9%	4.95%
7	£105,901 to £124,800	10.5%	5.25%
8	£124,801 to £187,200	11.4%	5.7%
9	£187,201 or more	12.5%	6.25%

Care Pensions up to 10.1% in 2023

The adjustment to your CARE pension for 2023 is an increase of 10.1%. The figure comes from the rate of inflation for the previous September, as measured by the Consumer Prices Index.

When was the increase added to my pension?

This year's 10.1% increase was applied to your pension on 6 April 2023. However, your 2023 statement only shows your pension up to the end of the 2022/23 'scheme year', which is before the increase was added. It will be your 2024 statement that shows the effect of applying the 10.1% increase.

Pensions Tax - Annual allowance

Annual allowance HM Revenue and Customs (HMRC) limits the amount of pension savings you can make without having to pay extra tax. This limit is in addition to any income tax you pay on your pension once it is being paid to you.

What is the annual allowance?

The annual allowance (AA) is the amount by which the value of your pension benefits may increase in a year without you having to pay a tax charge.

Page 89

If the value of your pension savings in a year (including pension savings outside of the L G P S) is more than the annual allowance, the excess will be taxed as income.

The standard annual allowance has increased to £60,000 from 6 April 2023. For the tax years 2016/17 to 2022/23 it was £40,000.

The annual allowance for some members will be lower than the standard annual allowance.

How is the annual allowance calculated?

The increase in the value of your pension savings in the L G P S in a year is calculated by:

- working out the value of your benefits immediately before the start of the 'pension input period'
- increasing that value by inflation, and
- comparing it with the value of your benefits at the end of the 'pension input period'.

The 'pension input period' (PIP) is the period over which your pension growth is measured. From 6 April 2016, PIPs for all pension schemes are aligned with the tax year – 6 April to 5 April.

In the L G P S, the value of your pension benefits is calculated by:

- multiplying the amount of your annual pension by 16
- adding any lump sum you are automatically entitled to from the pension scheme, and
- adding any additional voluntary contributions (AVCs) you or your employer has paid during the year.

If the value of pension benefits at the end of the PIP, less the value of your pension benefits immediately before the start of PIP (adjusted for inflation), is more than the AA, you may have to pay a tax charge.

The assessment for the AA covers any pension benefits you have where you have been an active member during the year, not just benefits in the LGPS. For example, if the increase in the value of your LGPS benefits was £30,000 in 2021/22 when the AA was £40,000, but you also had an increase in the value of other pension benefits of £15,000 in the same year, that would mean you had a total increase in pension benefits of £45,000. If you did not have any carry forward, you would be liable for a tax charge on the amount you exceeded the AA by, even though you did not breach the AA in either scheme.

Carry forward

You may be subject to an annual allowance tax charge if the value of your pension savings for a year increases by more than the annual allowance for that year. However, a three year carry forward rule allows you to carry forward unused AA from the previous three years. This means that, even if the value of your pension savings increases by more than the A A in a year, you may not have to pay an AA tax charge.

For example, the value of your pension savings in 2021/22 increased by £50,000 (ie by £10,000 more than the AA) but in the three previous years had increased by £25,000, £28,000 and £30,000. The amount by which the increase in your pension savings fell short of the AA for those three years would more than offset the £10,000 excess pension saving in the 2021/22 year. You would not have to pay an AA tax charge.

To carry forward unused AA from an earlier year, you must have been a member of a tax registered pension scheme in that year.

The tapered annual allowance for higher earners

From the tax year 2016/17 onwards, the AA is tapered for high earning individuals. The AA will be reduced if your 'Threshold Income' and 'Adjusted Income' exceed the limits in a year. For every £2 that your Adjusted Income exceeds the limit, your AA is tapered down by £1. Your AA cannot be reduced below the minimum that applies. The Government has changed these limits since they were first introduced.

Pensions Tax - Lifetime Allowance

In his Budget on 15 March 2023, the Chancellor announced that there would no further Lifetime Allowance charges and, effective from 6 April 2024, the Lifetime Allowance will be removed altogether.

This newsletter provides an overview of the rules governing taxation of pension savings. It is your personal responsibility to pay the correct amount of tax. Neither the London Borough of Bromley nor the Pensions Team is able to provide financial advice. If you are unsure about the best course of action, you should contact HMRC on telephone number 0300 200 3300. You may need to take independent financial advice in order to ensure that you understand your tax position.

Revised Early Retirement Reduction Factors Published

Early retirement factors have been updated with effect from 3 July 2023 and will be applied to benefits taken voluntarily before Normal Pension Age.

If you choose to retire before your Normal Pension Age your benefits will normally be reduced to take account of being paid for longer.

How much your benefits are reduced by depends on how early you draw them.

The reduction is calculated in accordance with guidance issued by the Government from time to time. The reduction is based on the length of time (in years and days) that you retire early – i.e. the period between the date your benefits are paid and your Normal Pension Age. The earlier you retire, the greater the reduction. **Visit https://www.lgpsmember.org/your-pension/planning/taking-your-pension/**

Number of years early	Pension reduction	Lump sum reduction (for membership to 31 March 2008)
0	0%	0%
1	4.9%	1.7%
2	9.3%	3.3%
3	13.5%	4.9%
4	17.4%	6.5%
5	20.9%	8.1%
6	24.3%	9.6%
7	27.4%	11.1%
8	30.3%	12.6%
9	33.0%	14.1%
10	35.6%	15.5%
11	39.5%	N/A
12	41.8%	N/A
13	43.9%	N/A

The 50/50 Section

If you are concerned about the cost of remaining in the pension scheme, then rather than opting out completely, you may wish to consider moving to the '50/50' section of the scheme. The local Government Pension Scheme now allow members to elect to contribute 50% of the normal rate of contribution and receive 50% of the pension benefit. This means that the pension will accrue at the rate of 1/98th of pensionable pay, instead of 1/49th, for the period that the election is in force. Regardless of which section you are in, you get full life assurance cover, full ill health cover and full survivor benefits in the event of your death.

A person cannot elect for the 50/50 section before the employment has commenced, before being enrolled automatically by their employer, or before opting in. Members can elect to move from the main section to the 50/50 section and back again as many times as they wish. A member in the 50/50 section always has the right to elect to re-join the Main section following the beginning of the next pay period after their election. If you have more than one job you can elect for the 50/50 section in one, some or all of your jobs.

If you choose to move to the 50/50 section any extra pension contributions or additional voluntary contributions (APCS) you are paying to purchase extra pension would have to cease (unless those APCS are to purchase pension 'lost' during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity, paternity or adoption leave.

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this, your employer is required to put you back into the main section of the LGPS approximately three years from the date they first have to comply with the automatic enrolment provisions of the Pensions Act 2008 (and approximately every three years thereafter). Your employer will move you back into the Main section of the scheme at that time irrespective of when your election to join the 50/50 section took place (even if, for example, you had only elected for 50/50 the previous month). Your employer will tell you when this is about to happen. If you wish to continue in the 50/50 section at that point you would need to make another election to remain in the 50/50 section.

Your employer cannot ask you or force you to join the 50/50 section. If, however, you wish to do so, you can do this by completing and returning an election to change from Main section to 50/50 section form, which is available to download from **www.bromley.gov.uk/lgps.**

Moving House?

If you move house we need to know your new address, not only to keep your records up to date but to make sure personal or sensitive information doesn't go to your old address, putting you at risk of identity fraud.

Therefore, please inform us and your employer of your new address as soon as you have moved.

Please note that we are unable to accept notifications of changes of address over the phone. Please write to **pensions@bromley.gov.uk** or via post to Liberata UK Ltd, PO Box 1339, Bromley, BR1 9HR.

Transfer Time Limits

Transfer In

You should be aware that, if you have previous pension benefits, you may elect to transfer these to the Local Government Pension Scheme. A request to investigate a transfer must be received within 12 months of commencing your current Local Government employment.

Transfer Out

If you're thinking about leaving the pension scheme and transferring your LGPS pension to another provider, please remember that, to be entitled to transfer your pension, you must leave this scheme and choose to transfer your pension at least one year before your normal pension age. (NPA). That's most likely to be your state retirement age, but some member's have a protected NPA of age 60 or 65.

We also suggest that you watch the following video link if you are considering transferring your pension to a defined contribution scheme: **https://www.lgpsmember.org/more/Videos.php**

Death Grant Expression Of Wish Forms

From the moment you join the Scheme until you leave or retire, and sometimes even beyond, you have valuable life cover in the form of a lump sum death grant. As an 'active' contributing member, if you die whilst paying into the Fund, we will pay out a death grant equal to three times your final years' pay.

Although the amount of death grant is governed by the Scheme rules, the Council has absolute discretion in deciding on who to pay any death grant to. The Council may pay the money in one sum or split it among a number of beneficiaries. The LGPS allows you to nominate one or more beneficiaries to whom you would like any death grant to be paid. You can do this by completing and returning an Expression of Wish Form which is sent out with the Annual Benefit Statements each year or can be downloaded from **www.bromley.gov.uk/lgps**.

The Council will normally follow your wishes, but may not do so if your circumstances have changed since you completed the form, for instance if your marital status has changed, or the person you have nominated has died. It is therefore extremely important that you keep your nomination up to date.

Money and Pensions Service

The Money and Pensions Service (MaPS) brings together three respected financial guidance bodies: the Money Advice Service, The Pensions Advisory Service and Pension Wise. MaPS is an arm's-length body sponsored by the Department for Work and Pensions, established at the beginning of 2019, and also engages with HM Treasury on policy matters relating to financial capability and debt advice.

Their aim is to ensure everyone in the UK can easily access the information they need to make the right financial decisions for them throughout their lives, making the most of their money and pensions.

The weblink for further information is **https://moneyandpensionsservice.org.uk**

Don't let a scammer enjoy your retirement!

The Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) have the ScamSmart advertising campaign targeting pension holders aged 45 to 65, the group most at risk of pension scams. The regulators have urged the public to be on their guard when receiving unexpected offers about their pension and to check the people being dealt with are legitimate. Please watch out for the five common warning signs:

- Being offered a free pension review out of the blue

  Being offered guaranteed higher returns - people who claim they can get you better returns on your pension savings
- Being offered help to release cash from your pension, even though you are under 55
- High-pressure sales tactics - scammers may try to pressure you with "time-limited offers" or send a courier to your door to wait while you sign documents
- Unusual investments which tend to be unregulated and high-risk

If you are contacted about your pension, visit ScamSmart before going any further, so that you don't end up becoming the victim of a scammer. FCA and TPR are part of Project Bloom, a multi-agency taskforce which is working to combat pension scams. The taskforce includes the DWP, HM Treasury, the Serious Fraud Office, City of London Police, the National Fraud Intelligence Bureau, The Pensions Advisory Service, and the National Crime Agency.

Pension scams can cause victims significant harm – both financially and mentally. If you are ever in doubt about a pension offer, visit the ScamSmart website at www.fca.org.uk/scamsmart

We also suggest that you watch the following video link if you are considering transferring your pension to a defined contribution scheme: **https://www.lgpsmember.org/more/Videos.php**

National Fraud Initiative

The London Borough of Bromley is required by law to protect the public funds it administers. It may share information provided to it with other bodies responsible for auditing or administering public funds, in order to prevent and detect fraud.

Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. For further information on the Cabinet Office's legal powers and the reasons that it matches particular information, see **https://www.gov.uk/government/collections/national-fraud-initiative**

Other Data Sharing

London Borough of Bromley participates in a data sharing project with other LGPS pension funds in England, Wales and Scotland. This is undertaken in order to comply with legal requirements contained in the LGPS's governing regulations.

Provisions contained in the LGPS Regulations 2013 mean that, if a member of the LGPS dies, it is necessary for the scheme's administrators to know if the individual also had other periods of LGPS membership elsewhere in the country so that the right death benefits can be calculated and paid to the deceased member's dependants.

As the LGPS is locally administered, each pension fund has its own membership records and it can be difficult to tell if an individual has other LGPS records and where these are held. To comply with the requirements set out above, a national Database, hosted at the South Yorkshire Pensions Authority, has been developed that enables funds to check if their members have LGPS pension records in other pension funds.

What data is shared?

For each member of the LGPS, the Database contains a short entry containing:

- The individual's National Insurance Number,
- A number to denote the individual's membership status,
- The last calendar year that the membership status changed, and
- four digit number confirming the LGPS pension fund where that member's record is held.

How is the data held on the Database processed?

The data held on the Database is processed in accordance with the Data Protection Act 1998 and other relevant legislation.

Are there any other purposes that the Database is used for?

An extract of the membership information contained in the Database is periodically shared with the Department for Work and Pensions (DWP) so that the LGPS can join the Tell Us Once service. Tell Us Once is a service offered in most parts of the country when an individual registers a death.

Who is the data shared with?

Other LGPS pension funds. These are all public bodies named in legislation as administering authorities of the LGPS.

For the Tell Us Once service, an extract of the Database containing individuals' NI Numbers is securely shared with DWP every month so that they may maintain an up-to-date record of the LGPS's membership.

How long will this data sharing be undertaken for?

For as long as a) the relevant regulatory requirements remain, and b) the LGPS participates in the Tell Us Once service.

In the event that neither of the above apply, the data sharing will cease to be undertaken.

Can I opt out of this data sharing?

No. As this data sharing is partly being undertaken to comply with a legal requirement, it is not possible for scheme members to opt out of the data sharing.

Enquiries and Complaints

If you are not sure which benefits you are entitled to, or if you have a question concerning your benefits, please contact the Liberata Pensions Team. They will try to deal with your query as quickly and efficiently as possible, and it may be possible to arrange a meeting in order to resolve any issues.

In case you are dissatisfied with the way the Council or your employer has interpreted or applied the pension regulations; in order to protect your interests, the council is required under the scheme regulations to set up a two-stage appeal procedure. Full details of this can be obtained from the Liberata Pensions team.

Their full address and telephone details are shown below. In additional to the internal dispute processes you also have access to a number of external advisors or regulators who are there to assist you with any issues you may have relating to your pension.

Further details of these organisations are given below.

Liberata UK Ltd
PO Box 1339, Bromley BR1 9HR

Telephone: 0208 603 3429
Email: pensions@bromley.gov.uk
Website: www.liberata.com

Large Print Version Available

The text of this newsletter is available in a large print format from Liberata Pensions on 020 8603 3429.

Further information about the Scheme is available on www.lgps.org.uk

NOTHING IN THIS NEWSLETTER CAN OVERRIDE THE PROVISIONS OF THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS OR RELATED LEGISLATION

Useful Contacts

London Borough of Bromley
Chief Executive's Department
Civic Centre
Stockwell Close
Bromley
BR1 3UH

Telephone: 020 8464 3333

Website: www.bromley.gov.uk

Pension Tracing Service
This is a tracing service for ex-members of schemes with pension entitlements, who have lost touch with their previous employers.

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

Please note the Pensions Tracing Service are currently not accepting requests for details by post.

The Pensions Ombudsman (TPO)
TPO provides 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

Telephone 0800 917 4487

Website www.pensions-ombudsman.org.uk

The Pensions Advisory Service
The Pensions Advisory Service (TPAS) dispute resolution function has moved to TPO. However, individuals can approach both TPO and TPAS for help when dealing with a pension complaint. TPAS tends to focus on complaints before the pension scheme's internal dispute resolution procedure (IDRP) has been completed, while TPO typically deals with complaints that have been through IDRP.

The Pensions Advisory Service
120 Holborn
London
EC1N 2TD

Telephone 0800 011 3797
Website: www.moneyhelper.org.uk/en/pensions-and-retirement

The Pensions Advisory Service now operates under 'Money Helper'.

The LGPS member site
The national website for members of the LGPS in England and Wales provides information and guidance to help members understand their LGPS membership from joining to leaving.

The website has recently launched a series of videos to educate members on their pensions, how to look after it, protection for their family, life after work, lifetime allowance and annual allowance.

Also, the website has several calculators that will be able to help members with their pension benefits.

- Contributions Calculator
- Pension Account Modeller

Website: www.lgpsmember.org

THE LONDON BOROUGH
www.bromley.gov.uk

Local Government Pension Scheme

Report No.
CSD24032

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**LOCAL PENSION BOARD**
Date:	**29 February 2024**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PENSIONS ADMINISTRATION STRATEGY (PAS) REPORT**
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

---

1. Reason for report

1.1 The Local Pension Board (LPB) is recommended to consider, comment and note the draft Pensions Administration Strategy (PAS) prior to consultation with scheme employers and approval by the Pensions Committee. – the statement is attached as Appendix 1.

1.2 Reviewing this document will assist the scheme manager in ensuring the efficient governance and administration of the Scheme.

---

2. RECOMMENDATIONS

2.1 Members of the Local Pension Board are asked to consider, comment and note the draft Pensions Administration Strategy (PAS) prior to consultation with scheme employers and approval by the Pensions Committee.

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

Pensions Administration Strategy (PAS)

3.1 Regulation 59 of the LGPS Regulations 2013 provides authority for the Fund to create a PAS which sets out requirements to facilitate best practice and efficient customer service in respect of the following:

- the levels of performance which the Administering Authority and Employers are expected to achieve in carrying out their Scheme functions;
- ensuring the Administering Authority and Employers comply with statutory requirements in respect of those functions; and
- improving the communication between the Administering Authority and Employers in order to carry out those functions.

3.2 The PAS sets out procedures for improving the way the Administering Authority and the Employers work together to ensure that the administration of the pension scheme meets its statutory requirements. In accordance with Regulation 70 of the LGPS Regulations 2013, additional costs can be levied due to the additional work required as a result of poor quality of information provided by the employer.

3.3 Examples where such additional cost that might be recovered from Employers are:

- Persistent failure to provide relevant information to the administration team, scheme member or other interested party causing delay in provision of member benefits; or
- failure to deduct and pay over correct employee and employer contributions to the respective pension fund within stated timescales.

3.4 The regulations require that as part of the implementation process each Employer and interested party is consulted on the PAS. The Pensions Shared Service will start a one month consultation with all Employers report the findings back to the next LPB. The regulations also require that, where a final PAS is produced, a copy is issued to each Employer as well as to the Secretary of State.

3.5 Timeliness and accuracy of data are an important element of delivering a high quality service to scheme members. The Administering Authority will shortly introduce a data transfer portal, i-Connect which allows for the automation of transfer of member data from employers' payroll systems to the pensions administration system on a monthly basis, thus reducing the risk of errors in manual inputting; reducing the workload of end-of-year reconciliation and ensuring the maintenance of a stable and accurate membership database. The introduction of the PAS gives the Administering Authority the ability to enforce compliance with i-Connect delivery.

Conclusions

3.6 Reviewing the Pensions Administration Strategy (at Appendix 1) will assist the scheme manager in ensuring the efficient governance and administration of the Scheme.

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. LEGAL IMPLICATIONS

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

Non-Applicable Sections:	Procurement/Personnel/Financial Implications 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”

Public

Pensions Administration Strategy

Bromley Pension Fund

1 April 2024

1. Background

1.1 The Local Government Pension Scheme (LGPS) is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the Scheme and for some councillors. The Scheme is administered locally for participating employers through 88 regional administering authorities.

1.2 The London Borough of Bromley is a designated administering authority (also known as scheme manager) and is responsible for the administration of the scheme for its employees (and certain admitted bodies), excluding teachers, who have their own scheme. The Council discharges this responsibility through the Pensions Committee consisting of seven councillors appointed by the Council and one staff representative. The Pensions Investment Sub-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.

1.3 The London Borough of Bromley Pension Fund has around 6000 active members, 5000 deferred members and 5000 pensioner members. Currently, Liberata UK Ltd manage the general administration of the LGPS for the London Borough of Bromley. Performance standards are used to monitor and improve performance. Performance is reported at regular intervals to the Council together with an annual summary made available to scheme members.

2. Purpose

2.1 This document is the Pensions Administration Strategy statement. Its purpose is to outline the responsibilities and performance standards expected of both the administering authority and the scheme employers.

2.2 The document aims to promote good working relationships, improved efficiency, an increase in awareness of expectations and a greater consistency across all scheme employers.

2.3 The document also sets out details of the actions available to the Administering Authority, where employers fall short of the required level of performance.

3. The Regulations

3.1 The Local Government Pension Scheme (LGPS) is a statutory public sector pension scheme, established by an Act of Parliament.

3.2 The key responsibilities of administering authorities and participating employers are detailed within the Local Government Pension Scheme Regulations 2013 ("the LGPSR 2013").

3.3 Related legislation which may also impact the administration will include but is not limited to the following:

- The LGPS (Benefits, Membership & Contributions) Regulations 2007
- The LGPS (Administration) Regulations 2008
- The LGPS (Transitional Provisions, Savings & Amendments) Regulations 2014
- The LGPS Regulations 1997
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ("the Disclosure Regulations")
- The Pensions Act 1995
- The Pensions Act 2004
- The Pensions Act 2008
- The Data Protection Act 1998
- The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991
- The Occupational Pension Schemes (Scheme Administration) Regulations 1996
- The Finance Act 2004
- The Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
- The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

3.3 Regulation 59 of the LGPSR 2013 provides the authority for an administering authority to prepare a written statement detailing the procedures for liaison and communication with Scheme employers, administrative performance standards for both the administering authority and scheme employers and the setting of performance targets.

3.4 Regulation 70 of the LGPSR 2013 provides that where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations, the administering authority may give written notice to the Scheme employer stating:

- the reasons for forming the opinion that the requisite standard has not been met;

- the amount the authority has determined the scheme employer should pay (including the basis upon which the cost has been determined);
- the provision of the Pensions Administration Strategy which are relevant to the decision.

4. Pension Liaison Officer

4.1 Effective pension administration relies heavily of the speed and accuracy of the transfer of data. Liberata UK Ltd is the London Borough of Bromley's third party administrator to the Local Government Pension Scheme, fulfilling many of the tasks required of an administering authority. Liberata may be contacted on 020 8603 3429 or by emailing pensions@bromley.gov.uk

4.2 Each scheme employer is required to nominate a Pension Liaison Officer, to be the initial point of contact for the administering authority. This will be to whom queries are raised and sent, and through whom training may be arranged and delivered. Should the employer wish to change their Pension Liaison Officer or amend any of their details in anyway they should do so via Liberata, using the contact details provided above.

4.3 It is hoped that by dealing with a single contact at scheme employers, unnecessary confusion and duplication will be avoided.

4.4 The key responsibilities of Pension Liaison Officers will include but are not limited to:

- to ensure that data is submitted to the administering authority is both accurate and timely
- to aid in distribution of scheme literature and communications where appropriate
- to flag issues that may inhibit or prevent compliance with agreed service levels

5. Monitoring Performance

5.1 As the third party administrator acting on behalf of the London Borough of Bromley in its role as an administering authority of the LGPS, Liberata UK Ltd is required to correspond with and collect both data and contributions from admission and scheduled bodies with the Fund.

5.2 At Fund level, functions of the administration of the LGPS are separated between the administering authority and the scheme employers within the relevant fund. The table overleaf shows the Key Performance Indicators for the the third party administrator:

Description	Expected Performance Standard
General Administration:	
Provide a full explanatory report and inform LBB of any significant changes in legislation or practices that affect the Pension rights of LBB, admission and scheduled bodies or their employees within 25 working days of receipt of the legislation.	100%
As agreed with LBB, issue information to members of the Scheme and other persons in accordance with regulatory requirements.	100%
Undertake a presentation at LBB's pre-retirement seminar and other relevant seminars (normally not more than four times a year) as required by LBB.	100%
Maintain and update the Procedure Manual for LBB and schools	100%
Employees joining the Scheme:	
Create a computerised record for each member, including document imaging, within 20 days of their joining date, or within 20 days of notification from non-LBB payroll employers.	100% within 20 working days
Interfunds and Transfers In - All 3 stages of to be completed within 10 working days. The 3 stages are (a) receiving the quote from the company and sending the details to the member, (b) On members agreement, write to the company to let them know the member has agreed, (c) when money received from company, inform the member. If a member has gone through all 3 stages, they will be recorded once for each stage.	100% within 10 working days at each stage
Investigate the aggregation of previous periods of LBB membership and advise the member accordingly. Target 10 working days from receipt of information at each stage.	100% within 10 working days at each stage
Issue a Statutory notification of admission to the scheme 20 days from the date of entry.	100%

Provide LBB with a full detailed list of cases where a potential transfer is still outstanding after 12 months, including all action taken and reason for delay.	100%
Employees opting out	
Instruct the payroll provider to discontinue deduction of pension scheme contributions from the nominated or first pay period following receipt of the election.	100%
Maintain a record of members and non-members who have opted out together with the relevant documentation.	100%
Retirements (active, deferred or pension credit status)	
Calculate and advise Pension Scheme Members, in writing, of their retirement benefit entitlement and options available.	100% within 15 working days of the request
Arrange payment of lump sum retirement grants within 15 working days of the last day of service, or receipt of all necessary information, whichever is the later. Arrange for the retirement pension to be paid on the next available pay run.	100% within 15 working days
Redundancy and Early Retirement Scheme (members and non members)	
Non-LGPS payments must be made within 10 working days of the last day of service, or if later, within 10 working days of receipt of the documentation required to make payment.	100% within 5 working days
Deaths	
Acknowledge notification of the death of a member within 5 days of notification.	100% within 5 working days

Verify dependants and beneficiaries entitlement to payment. Correspond with and advise dependants and beneficiaries or their representatives. Calculate the appropriate entitlement and arrange payment within 10 days of receipt of all necessary information.	100% within 10 working days
Transfers/Interfunds Out	
Transfer out quotes and payments completed within 10 working days.	100% within 10 working days at each stage
Deferred Benefits	
Calculate and issue deferred benefit statement within 15 days of receipt of notification of termination of pensionable employment, or receipt of necessary documentation if this is later.	100% within 15 working days
Refunds	
Establish entitlement and arrange payment within 10 working days.	100% within 10 working days of (latest of) either completed forms/ documents or payable date
Estimates	
Provide estimates of benefits payable to individuals and employers under the LGPS within 10 working days.	100% within stated timescale
Annual Benefit Statements	
Provide active, deferred and pension credit members with an annual benefit statement of their entitlements under the LGPS and AVC Scheme by end August each year. AVC statements are subject to the AVC provider sending the statements to the Pensions office.	100% by end of August
Notification to HMRC	
Complete and send all statutory required tax forms and returns in relation to pensions administration, or provide LBB with the necessary information to make a return, within statutory timescales.	100%

Newsletter	
Ensure that an annual newsletter is issued to all Pension Scheme Members and eligible employees each year.	100%
AVC's/Additional Contributions	
AVC's and additional contribution contracts to be processed within 10 days.	100% within 10 working days
Communications	
Provide an acknowledgement and answer to scheme members/Employers/personal representatives/dependents and other authorised persons	Answer substantively within 10 working days.

5.4 Employer functions within the scheme include but are not limited to:

Description	Expected Performance Standard
New starters – Notify the administering authority of new scheme joiners via the monthly i-Connect submission	Within 1 month of member's entry into the scheme via contractual enrolment, auto-enrolment, reenrolment date or election to join.
Changes in member circumstances during employment – Notify the administering authority of changes in working hours, absences from work including but not limited to maternity leave and unpaid leave	Via i-Connect within four weeks of the event. 100%
Sick or child related leave - when a member's pay reduces due to sick or paid child related leave, report Assumed Pensionable Pay (APP) and base employer contributions on APP.	Via i-Connect - as soon as the member starts sick or paid child-related leave, and until the member returns to work in the case of sick leave. In the case of child-related leave, while the member is on paid child-related leave.
Early Leavers – Notify the administering authority of the scheme member's pensionable employment ceasing (for the avoidance of doubt, this should include those who have opted out of the LGPS).	Within 20 days of leaving date. The leaver event is also to be reported via the iConnect submission by the 19th of the following month. The i-Connect submission must clearly state the reason for leaving.100%
Retirements – Where possible employers should notify the administering authority no less than one month prior to the date of retirement. However, it is acknowledged that on occasion retirements occur with little or no notice. However, the employer should in all cases, notify the administering authority within 5 working days of the date of	100% within 5 working days of retirement.

retirement, in the approved format as detailed in the Procedure Manual.	
Death in Service - notify the administering authority by emailing pensions@bromley.gov.uk within 1 working day of the date notified.	100% within 1 working day of date notified.
Queries – To respond to queries raised by the administering authority within 10 working days. These will typically relate to possible discrepancies identified on a member record.	100% within 10 working days.
Payment of Contributions – Pay monthly employee and employer contributions by the 19th of the month following the pay period to which the contributions relate.	Payment by 19th of the following month.
Payment of a Capital Cost – Where a scheme member has retired prematurely, and a capital cost of early retirement is due to the pension fund, this should be paid within 15 working days from the date the invoice is issued.	100% within 15 working days.
End of Year Reconciliation Statement – Employers must provide the administering authority with a schedule of total annual employee contributions for the previous financial year no later than 30th April in the following year.	Submission prior to 30th April in the following financial year
End of Year Reconciliation Statement Queries – Employers must address any queries raised by the administering authority following the submission of their annual return within 10 working days of the query being raised. This will include but is not limited to, missing starters, missing leavers, missing changes in member circumstances notifications and any unexplained significant changes in member pay.	100% within 10 working days.
Pension Liaison Officer - confirm Pension Liaison Officer(s) by emailing pensions@bromley.gov.uk by **15 April** each year and within 15 working days of a change in personnel.	100%
IDRP - Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute resolution process (IDRP) and provide full up to date contact details to Liberata by emailing pensions@bromley.gov.uk	Notify Liberata within 30 days of becoming a scheme employer or following the resignation of the current adjudicator

Discretions - formulate, publish and keep under review policies in relation to all areas where the Employer may exercise a discretion within the LGPS	A copy of the policy document is to be submitted to Liberata by emailing pensions@bromley.gov.uk by 30 June 2024 and thereafter within one month of any change in policy

6. Poor Performance

6.1 The performance of the administering authority is monitored by the Pensions Committee of the London Borough of Bromley.

6.2 Employer performance will be monitored by both Liberata UK Ltd on behalf of the London Borough of Bromley and the Pensions Manager.

6.3 Where poor performance is identified, training and guidance will be offered to try and improve performance to meet with the required standard. This will be delivered directly to the employer's nominated Pension Liaison Officer and any other employees it is felt may benefit.

6.4 In the event of continued poor performance following additional support having been given, and in the absence of evidence of any measures having been taken to address the issue, the Fund will seek to recover the additional costs this generates. Details of the charges applicable can be found in Appendix A.

7. Review Process

7.1 The administration strategy and any amendments to it are subject to mandatory consultation with scheme employers. The strategy will also be available to both the General Purposes and Licensing Committee and the Local Pension Board for comment.

7.2 The administration strategy will be reviewed every 3 years. However, a review will be carried out more frequently, if circumstances dictate this to be necessary.

8. Publication

8.1 A copy of the administration strategy will be sent to all London Borough of Bromley Pension Fund Employers.

8.2 A copy of the administration strategy will be made available on the our website at www.bromley.gov.uk/lgps

8.3 Hardcopies will be made available on request.

APPENDIX A

Charging Schedule		
1.	Failure to notify the Administering Authority of a new starter within 1 month following the pay period in which the employee commenced employment	£50 per occurrence
2.	Failure to notify the Administering Authority of a change to a member's working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absence without permission) – within 1 month of the pay period following that in which the change first occurred	£50 per occurrence
3.	Failure to notify the Administering Authority of a member leaving active membership within 10 working days of the pay period following that in which the member left via a "Cessation of Pensionable Employment" Form	£50 per occurrence
4.	Failure to notify the Administering Authority of a member retiring within 5 working days of retirement date	£50 per occurrence
5.	Failure to notify the Administering Authority of a death in service within 5 working days of it having been reported to the employer	£50 per occurrence

6.	Failure to pay monthly pension contributions to the administering authority prior to 20th of the month following the deduction of the contributions	£150 per occurrence
7.	Failure to pay the capital cost due to the administering authority, as a result of the premature retirement of an employee within 15 working days of the invoice having been issued.	Reminder will be sent to Employers who do not respond. Chase correspondence will be charged at £25 per communication.
8.	Failure to respond to queries relating to the annual return within 20 working days of the query being received.	£50 per occurrence
9.	Late provision of year end contributions returns in prescribed format – returns received after 30 April after the appropriate year end	£250 plus £100 for each week plus part week of continued non-provision. Employer must provide accurate data.
10.	Failure to notify Liberata of a contracting out involving a TUPE transfer before the transfer date. Failure to inform the Liberata of a new Academy or Free School before their opening date.	£200 per occurrence
11.	Failure to notify Liberata of "Pension Liaison Officer" details - the Administering Authority not notified of contact by 15 April or new contact within 1 month of alteration	Reminders will be sent to Employers who do not respond. Following the second chase, employers will be charged £200. Subsequent reminders will be charged at £25 per occurrence.
12.	Failure to provide an LGPS discretions statement to the Administering Authority	Reminders will be sent to Employers who do not respond. Following the second chase, Employers will be charged £200. Subsequent reminders will

		be charged at £25 per occurrence.
13.	Any late or incorrect submission of the i-Connect file will be charged at £75 per month. An “incorrect” file means a file with an error rate greater than 5%	Will be charged at £150 per month plus £50 for each week plus part week of continued non-provision.

Where the Administering Authority determines that such additional costs should be recovered it will give written notice to the scheme employer stating the reasons, the amount, the basis of calculation and the relevant provisions of the Administration Strategy.

Interest may be applied to any payment due from scheme employers in accordance with Interest calculated in accordance with Regulation 71 of The Local Government Pension Scheme Regulations 2013.

Document is Restricted

This page is left intentionally blank