LONDON BOROUGH OF BROMLEY PENSION FUND

ANNUAL REPORT 2022/23

THE LONDON BOROUGH
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FOREWORD

The below text was written at the time of the initial preparation of the 2022/23 statement of accounts in early 2024. The content of the written narrative remains correct for that time, although at the time of signing off the accounts (December 2024) the tense of some of the text now reads as out of date. In order to best ensure the narrative correctly reflects the position and key factors at the time of the closing of the 2022/23 accounts, we have not updated the text, but it should be read recognising the timing of its initial composition.

This Annual Report has been produced to keep pensioners and other interested stakeholders informed about the administration and performance of the London Borough of Bromley Pension Fund ("the Fund"). Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to have regard to guidance given by the Secretary of State when preparing and publishing its Pension Fund Annual Report. Revised CIPFA guidance was issued by the Secretary of State in March 2019 and this report complies with the regulations and with the CIPFA guidance and includes additional disclosures required therein.

The Local Government Pension Scheme (LGPS) was established to provide retirement and death benefits for all eligible employees, mainly local government staff. The LGPS is a funded defined benefit scheme, with earnings-banded fixed employee contribution rates and variable employer rates depending on the funding level assessed every three years by the Fund's actuary. Benefits are defined in law and inflation-proofed in line with increases in the Consumer Prices Index for September. The scheme is operated by designated administering authorities - each maintains a pension fund and invests monies not needed immediately.

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

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

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

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

Service pre 1st April 2008:

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

Service post 31st March 2008:

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

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

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

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

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

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

The London Borough of Bromley is a designated administering authority and is responsible for the administration of the scheme for its employees (and certain admitted bodies), excluding teachers, who have their own specific scheme. The Council discharges this responsibility through the Pensions Committee consisting of seven Councillors appointed by the Council. The Pensions Committee is primarily responsible for investment and monitoring matters and reports to the General Purposes and Licensing Committee, which has overall responsibility for the administration of the scheme.

The Pensions Committee has delegated the management of the Fund's active investments to professional investment managers, whose activities are specified in detailed investment management agreements and whose performance is monitored quarterly. The investment managers of the Fund are appointed by the Committee and, as at 31st March 2023, comprise Baillie Gifford, Fidelity, MFS International, Morgan Stanley and Schroders. They are regulated by the Financial Conduct Authority (FCA). The Fund's investment managers are set individual performance targets marked against relevant market benchmarks.

2022/23 saw variable returns across of the year, with returns above benchmark in the second and thirds quarters and below benchmark in the first and final quarters. In terms of overall market returns, the total fund value decreased from £1,346.3m as at 1st April 2022 to £1,296.4m at 31st March 2023. The Fund return for the year of -3.72% was below the benchmark of -2.59%. The Fund's medium and long-term returns have remained strong overall, with returns of 0.69% for 2021/22 and 34.7% for 2020/21 against the benchmarks of 8.69% and 23.59%respectively. The overall Fund ranked 63rd against the 63 funds in the PIRC LGPS universe for the year to 31st March 2023, 50th over 3 years, 20th over 5 years and 10 years, second over 20 and first over 30 years. Further details about the Fund's performance can be found on pages 15 to 22.
The Fund's investment policy is summarised on pages 15 to 16 and further details are set out in the Investment Strategy Statement on pages 91 to 97.

LONDON BOROUGH OF BROMLEY PENSION FUND

MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

The Fund

The London Borough of Bromley Pension Fund is part of the national Local Government Pension Scheme (LGPS, which is a statutory career average (final salary until 31st March 2014 scheme set up to provide pensions and retirement benefits for most local government employees including non-teaching staff in schools and for the employees of certain other bodies. It does not provide for teachers, who have a separate national scheme. Up to the local elections in May 2014, Councillors were eligible to join the scheme at the discretion of individual councils, although Councillors' pensions were based on career average Members' allowances. Since May 2014, however, Councillors can no longer be active members of the scheme.

As well as for its own employees, the Fund provides for employees who transferred from the Council or the Bromley's schools to Clarion Housing Group (formerly Affinity Sutton), Bromley Mytime, Liberata, Clean Tec, Certitude, Diagrama Healthcare, The Landscape Group, Amey, Cushman & Wakefield, Creative Support, Mears, Greenwich Leisure Ltd, British Telecom, Birkin Cleaning Services, Lewis and Graves, Ecocleen Services Ltd, Lodestar Cleaning Contracts Ltd, Ridge Crest Cleaning Ltd, See Clear and Foots Cray Out of School Club. These bodies are permitted under the regulations to contribute to the Fund and are termed Admission Bodies. It also provides for non-teaching staff in Ravensbourne University within the borough which is termed a Scheduled Body. As at 31st March 2023, the Fund also provided for 112 school academies, which are also termed Scheduled Bodies. The Council is responsible for administering the Fund in accordance with various statutory regulations, the principal regulations being the Local Government Pension Scheme Regulations 2013, as amended by any subsequent regulations and enactments. Day-to-day administration of the Fund, such as the collection of contributions and the payment of pensions, is contracted out to Liberata UK Ltd.

Fund management and advisers

Any decisions on discretionary matters, most of which are prescribed by the Regulations, are either taken by officers under delegated authority (generally by the Director of Finance or referred to the General Purposes and Licensing Committee. The Pensions Committee oversees the investment of the Fund and has a general responsibility to monitor the Fund's financial position. The Governance Policy Statement (pages 36 to 41 sets out the responsibilities of the various parties involved in managing the Fund. Meetings are held quarterly and the Committee's membership for the year 1st April 2022 to 31st March 2023 comprised:

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

Member attendance at Pensions Committee meetings in 2022/23.

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

* Attended as substitute

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

Scheme Actuary
Mercer Ltd, No 4, St Paul's Square, Old Hall Street, Liverpool, L2 9SJ
Scheme adviser
MJ Hudson, 8 Old Jewry, London, EC2R 8DN
Auditor
Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Investment Managers
Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN
Fidelity Investment Management Ltd, Beechgate, Millfield Lane, Lower Kingswood, Surrey, KT20 6RP
MFS International, Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB
Schroders, 1 London Wall Place, London, EC2Y 5AU
Legal adviser
Director of Corporate Services, Civic Centre, Stockwell Close, BR1 3UH
Administrator of scheme benefits
Liberata UK Ltd, PO Box 1598, Croydon, Surrey, CR0 0ZW
Custodians of scheme assets
Bank of New York Mellon, 160 Queen Victoria Street, London, EC4V 4LA
Banker
HSBC plc, 71 Queen Victoria Street, London, EC4V 4AY
Secretary to the trustees
Director of Corporate Services, Civic Centre, Stockwell Close, BR1 3UH
AVC providers
Aviva, Rose Lane Business Centre, PO Box 520, Norwich, NR1 3WG
Equitable Life, PO Box 177, Walton Street, Aylesbury, Bucks, HP21 7YH
Performance monitoring
Pensions & Investment Research Consultants Limited (PIRC Ltd), Exchange Tower, 2 Harbour Exchange Square, London, E14 9GE
Bank of New York Mellon, 160 Queen Victoria Street, London, EC4V 4LA
Council officers
Peter Turner, Director of Finance
David Dobbs, Head of Corporate Finance and Accounting
Daniel Parsons, Senior Accountant

Local Pension Board

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

Risk Management

There are many factors that could have an adverse impact on achievement of the funding strategy and target funding levels. These can be categorised as administrative, management and investment risks. Some of the key potential risks are listed in a section of the Funding Strategy Statement (pages 68 to 83), together with comments on their materiality, on the procedures for monitoring them and on measures available to mitigate them. The risks listed have been categorised into four main areas, i.e. financial, demographic, regulatory and governance risks.

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

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

Management of Third Party Risk

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

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

Financial Performance

The Council prepares accounts as at 31st March each year, which comply with the CIPFA Code of Practice on local authority accounting 2022/23 and the provisions of Chapter 6, Section 5 "Accounting and Reporting by Pension Funds". The Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013 for the purpose of providing pension benefits for its employees. In addition to the provision of retirement pensions, the benefits include lump sum retirement grants and widows' pensions.

Day-to-day income and expenditure into and out of the Fund are recorded in the Pension Fund Revenue Account, which showed an overall surplus of £22m in 2022/23. The Fund's investment assets appear in the Council's Annual Statement of Accounts and the total value of the Fund's net assets decreased in 2022/23 from £1,346.3m as at 1st April 2022 to £1,296.4m as at 31st March 2023. The Pension Fund Accounts and Net Assets Statement, together with supporting notes, are attached (pages 47 to 67).

Annual internal audit

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

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

However,

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

As a result, a substantial assurance opinion was given.

Analysis of pension overpayments, recoveries and amounts written

off During 2022/23 there were:

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

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

Management Performance

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

Liberata's commitment to Scheme members is:

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

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

Five-year analysis of the Fund's membership data

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

Administration costs (including fund management fees)

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

	2022/23 Budget £000	**2022/23 Actual £000**	**2021/22 Budget £000**	**2021/22 Actual £000**
Audit fee	21	16	21	21
Bank charges/transaction costs	349	285	349	242
London CIV implementation & service charge	100	110	100	110
Advice & other costs	175	560	175	395
Internal recharges	555	784	555	838
Total administration costs	1,200	1,755	1,200	1,606
Fund Management fees	3,900	5,253	3,900	5,186
Total	5,100	7,008	5,100	6,792

Unit cost of administration per Fund member

	2022/23	2021/22	2020/21	2019/20	2018/19
	£	£	£	£	£
Total administration costs (gross)	7,007,062	6,791,782	5,980,066	5,319,198	4,918,091
Fund Management fees	5,253,000	5,185,856	4,410,719	4,144,193	3,807,004
Total administration costs (net)	1,754,062	1,605,926	1,569,347	1,175,005	1,111,087
Cost per member:					
Net (excluding management fees)	£82.99	£79.02	£79.79	£61.15	£59.47
Gross (including management fees)	331.53	£335.70	£304.05	£279.82	£263.22

Details of contributions received from each employer in the Fund

A list of contributing employers and details of contributions received is given below. Summary details are provided in the notes to the Pension Fund Accounts (page 53). Contributions are required by statute to be paid into the Fund by the 19th day of the following month to that which they relate if paid by cheque or by 22nd if paid by bank transfer. The Pension Regulations allow the Council to charge interest on contributions that are not paid on time, but this power was not exercised in 2022/23.

Employer	Contributions 2022/23 Employee £	Employer £	TOTAL £
LB Bromley	3,902,386.44	9,540,623.08	13,443,009.52
Academies			
Alexandra Infants	18,787.27	75,927.54	94,714.81
Alexandra Juniors	14,788.96	60,037.32	74,826.28
Balgowan Primary	41,587.86	169,215.42	210,803.28
Bickley Primary Academy	23,203.48	74,059.57	97,263.05
Biggin Hill Primary	42,387.24	153,130.86	195,518.10
Blenheim Primary Academy	22,308.76	70,939.95	93,248.71
Burnt Ash Primary	45,242.44	127,049.45	172,291.89
Burwood	60,997.71	133,940.73	194,938.44
Castlecombe Primary	29,189.15	107,716.97	136,906.12
Chelsfield Primary	5,294.46	19,264.54	24,559.00
Chislehurst CE Primary	14,902.36	59,694.74	74,597.10
Churchfield Primary Academy	27,447.34	87,164.84	114,612.18
Clare House	28,131.37	97,580.35	125,711.72
Crofton Infants	38,511.95	155,925.37	194,437.32
Crofton Junior School	59,357.22	235,508.48	294,865.70
Cudham CE Primary	6,109.95	24,517.65	30,627.60
Darrick Wood Infants	17,098.91	73,111.85	90,210.76
Darrick Wood Junior	15,925.26	56,174.16	72,099.42
Dorset Road	482.23	1,914.25	2,396.48
Downe	5,296.99	17,292.55	22,589.54
Downe Academy	1,416.14	5,613.40	7,029.54
Edgebury	23,776.96	73,869.82	97,646.78
Farnborough	14,611.12	57,558.46	72,169.58
Grays Farm	30,700.59	121,778.55	152,479.14
Green Street Green Primary	30,357.56	138,897.33	169,254.89
Harris Primary Academy Beckenham	24,559.99	61,100.27	85,660.26
Harris Primary Academy Orpington	19,955.56	77,855.06	97,810.62
Hawes Down Infants School	39,333.75	159,230.86	198,564.61
Hayes Primary	28,130.93	117,105.16	145,236.09
Highfield Infants Academy Highfield	19,231.14	81,183.71	100,414.85
Junior Academy	15,589.85	57,756.01	73,345.86
Holy Innocents	26,818.83	107,599.81	134,418.64
James Dixon Primary Academy	37,267.27	105,087.04	142,354.31
Keston Primary	12,720.59	55,982.16	68,702.75
La Fontaine Academy	13,869.36	35,630.85	49,500.21
Langley Park Primary	22,950.53	65,838.88	88,789.41
Leesons Primary	30,404.75	123,737.42	154,142.17
Manor Oak Primary	17,055.13	71,793.38	88,848.51
Marian Vian	20,585.79	86,081.92	106,667.71
Marjorie McClure	104,635.42	294,292.77	398,928.19
Mead Road	13,374.03	32,245.51	45,619.54
Midfield Primary	37,704.99	129,237.18	166,942.17
Mottingham	16,733.09	61,986.20	78,719.29
Oak Lodge	24,967.22	103,541.10	128,508.32
Oaklands	43,596.18	174,313.42	217,909.60
Parish Primary	31,438.63	132,594.24	164,032.87
Perry Hall	22,010.29	88,585.91	110,596.20
Pickhurst Infants	32,601.94	111,279.13	143,881.07
Pickhurst Juniors	34,957.69	105,906.95	140,864.64
Poverest	51,357.85	155,836.91	207,194.76
Pratts Bottom	5,412.83	18,138.06	23,550.89
Princes Plain Primary	41,069.64	175,744.10	216,813.74
Raglan Primary	38,843.90	157,727.71	196,571.61
Red Hill Academy	48,258.29	154,277.90	202,536.19
Riverside Primary School	200,875.09	847,964.01	1,048,839.10

Employer	Employee £	Employer £	TOTAL £
Academies (cont.)			
Scotts Park Primary	27,808.62	86,562.49	114,371.11
Southborough	35,350.75	106,203.93	141,554.68
St Anthonys RC Primary	16,082.79	51,146.35	67,229.14
Academy St George's (academy)	31,186.09	119,855.33	151,041.42
St James RC School	16,747.81	67,809.04	84,556.85
St John's (academy)	15,730.85	64,313.59	80,044.44
St Josephs Primary	18,948.51	77,705.47	96,653.98
St Marks CE Primary	23,419.49	101,908.82	125,328.31
St Mary Cray	17,872.06	57,726.27	75,598.33
St Mary'S R.C Primary	30,145.44	131,385.45	161,530.89
St Pauls Cray Primary	24,804.66	85,122.23	109,926.89
St Peter & St Paul Primary	26,002.60	105,909.74	131,912.34
St Philomenas Primary	19,776.88	79,742.45	99,519.33
St Vincents	18,004.81	75,800.51	93,805.32
Stewart Fleming Primary	33,530.98	107,885.02	141,416.00
The Highway	13,420.18	50,964.02	64,384.20
TKAT (Kemnal Tech School)	200,230.08	419,004.14	619,234.22
Tubbenden Primary	51,647.63	209,385.61	261,033.24
Unicorn	19,431.86	81,900.58	101,332.44
Valley	34,381.64	136,613.52	170,995.16
Warren Road	65,902.23	271,574.34	337,476.57
Wickham Common	13,771.95	57,708.91	71,480.86
Worsley Bridge Juniors	14,918.01	51,044.60	65,962.61
Secondary Schools			
Bishop Justus	116,125.73	424,584.13	540,709.86
Bullers Wood Girls	109,531.54	437,913.95	547,445.49
Charles Darwin	68,686.42	348,217.01	416,903.43
Chislehurst School for Girls	78,140.09	297,422.92	375,563.01
Coopers School	80,515.17	285,969.55	366,484.72
Darrick Wood	98,455.37	407,110.90	505,566.27
Eden Park High	57,811.22	114,487.07	172,298.29
Harris Academy Beckenham	49,934.81	190,461.97	240,396.78
Harris Beckenham Green	16,756.91	47,897.07	64,653.98
Harris Crystal Palace	25,049.94	101,828.27	126,878.21
Harris Girls Academy Bromley	55,248.37	213,892.23	269,140.60
Harris Kent House	27,655.04	108,766.68	136,421.72
Harris Secondary Academy Orpington	45,012.90	263,280.22	308,293.12
Harris Shortlands Academy	17,210.24	63,286.32	80,496.56
Hayes School	115,404.31	285,766.17	401,170.48
Kemnal Technical College	46,826.72	182,363.37	229,190.09
Langley Park Boys	78,915.49	312,391.04	391,306.53
Langley Park Girls	70,303.77	280,252.90	350,556.67
Newstead Wood School	49,271.31	206,278.39	255,549.70
Ravensbourne School	61,678.45	233,921.97	295,600.42
Ravenswood School	110,150.35	350,350.92	460,501.27
St. Olaves	61,392.92	164,428.67	225,821.59
Special / AP Schools			
Compass Academy Trust	45,414.78	145,649.66	191,064.44
Education for the 21st Century	66,872.22	139,997.58	206,869.80
Harris Aspire	28,871.28	58,467.26	87,338.54
Langley Park Learning Trust	42,085.21	87,349.60	129,434.81
LSEC Multi-Academy Trust	36,550.30	72,437.40	108,987.70
Nexus MAT	52,168.03	151,367.80	203,535.83
Ravensbourne University	408,817.58	776,845.02	1,185,662.60
SOLA MAT	28,850.14	76,792.95	105,643.09
Spring Partnership Trust	46,386.85	147,397.65	193,784.50
The Bromley Trust Academy	40,316.12	137,102.21	177,418.33
The Glebe	80,370.02	234,573.80	314,943.82

Employer	Employee £	Employer £	TOTAL £
Other			
Birkin Cleaning	745.89	3,824.27	4,570.16
Bromley My Time	-	478,000.00	478,000.00
BT	44,117.24	120,787.59	164,904.83
Busy Bee Cleaning Services Ltd	482.11	2,217.70	2,699.81
Caterlink – Blenheim	870.75	2,646.74	3,517.49
Caterlink – Eden	2,334.26	10,702.63	13,036.89
Caterlink – Mottingham	1,448.20	4,464.78	5,912.98
Caterlink – Ravensbourne	4,813.63	16,246.49	21,060.12
Caterlink – Scotts Park	1,129.14	4,326.92	5,456.06
Creative Support	3,412.31	12,405.89	15,818.20
Cushman and Wakefield	-14,009.45	-29,243.99	-43,253.44
Diagrama Healthcare Services Ltd	16,340.20	48,379.65	64,719.85
Ecocleen Services Ltd	98.60	408.04	506.64
Eleanor Nursing and Social Care	14,437.80	52,372.31	66,810.11
Ltd Footscray Out of School Club	753.97	3,200.70	3,954.67
Greenwich Leisure Limited (GLL)	86,316.04	353,493.49	439,809.53
Liberata	36,706.48	136,078.24	172,784.72
Mears Care	9,537.84	40,961.59	50,499.43
Ridge Crest Cleaning	1,769.54	8,196.38	9,965.92
The Landscape group	6,223.12	20,686.57	26,909.69
	8,900,033	**26,924,441**	**35,824,475**

INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Principles

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

Investment Managers

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

The Council currently employs five investment managers:

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

It also employs an independent custodian, the Bank of New York Mellon, to hold the Fund's investments and perform related functions such as the collection of investment income and operation of bank accounts in various currencies. The Pensions Committee is responsible for all of these appointments.

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

The investment managers have to operate within the investment powers set out in the regulations and in accordance with their benchmarks. These determine the broad allocation of investments over different asset classes and the extent to which they can diverge from that allocation. Details are included in the Fund's Investment Strategy Statement (pages 94 - 100). The Pensions Committee is responsible for determining and reviewing the asset allocation strategy of the Fund and this is reviewed on a regular basis. The asset allocation strategy agreed in 2006 (two balanced portfolios managed by Fidelity and Baillie Gifford with benchmarks based on a broad 80:20 ratio of equities to bonds) remained in place until the comprehensive strategy review that took place during 2011/12 (see below), following relatively poor performance in 2011/12.

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

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

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

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

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

Baillie Gifford (global equities - Base fee (quarterly 0.65% of first £30m of Fund, 0.50% of next £30m and 0.35% of remainder
Baillie Gifford (fixed income - Base fee (quarterly 0.30% of total Fund value
Fidelity (fixed income - Base fee (quarterly 0.35% of first £10m of Fund value, 0.30% of next £10m, 0.21% of next £30m and 0.18% of remainder. From 1st January 2018 a reduction of 20% has been applied
Fidelity (MAI - Base fee (quarterly 0.40% of first £20m of Fund value, 0.30% of next £30m, 0.25% of next £100m and 0.20% of remainder
Fidelity (Property - Base fee (quarterly 0.75%
MFS (global equities - Base fee (quarterly 0.60% of first £25m of Fund value, 0.45% of next £25m and 0.40% of remainder
Schroders (MAI) – 0.35% of Fund value.
Morgan Stanley North Haven (Real Estate - 1.50% per annum management fee, paid on capital commitments during the investment period, and thereafter based on invested equity; with a 25% reduction during the investment period.

Review of Investment Performance

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

Performance data for 2022/23

Fund Value

2023 was a difficult year for most LGPS funds, with the average fund delivering a negative return. The total market value of the Fund has fluctuated considerably in the last few years. Since 2002, however, increases in the good years (most notably 2005/06, 2009/10, 2012/13, 2014/15, 2016/17, 2017/18, 2018/19 and 2020/21 have far exceeded decreases in the bad years (2002/03, 2008/09, 2019/20, 2021/22 and 2022/23. As a result, the total value of Fund investments has increased from £180.3m as at 31st March 2003 to £1,296.4m as at 31st March 2023. In 2022/23, the value decreased by 3.8% from £1,346.3m to £1,296.4m.

MOVEMENTS IN PENSION FUND MARKET VALUE SINCE 2002

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

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

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

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

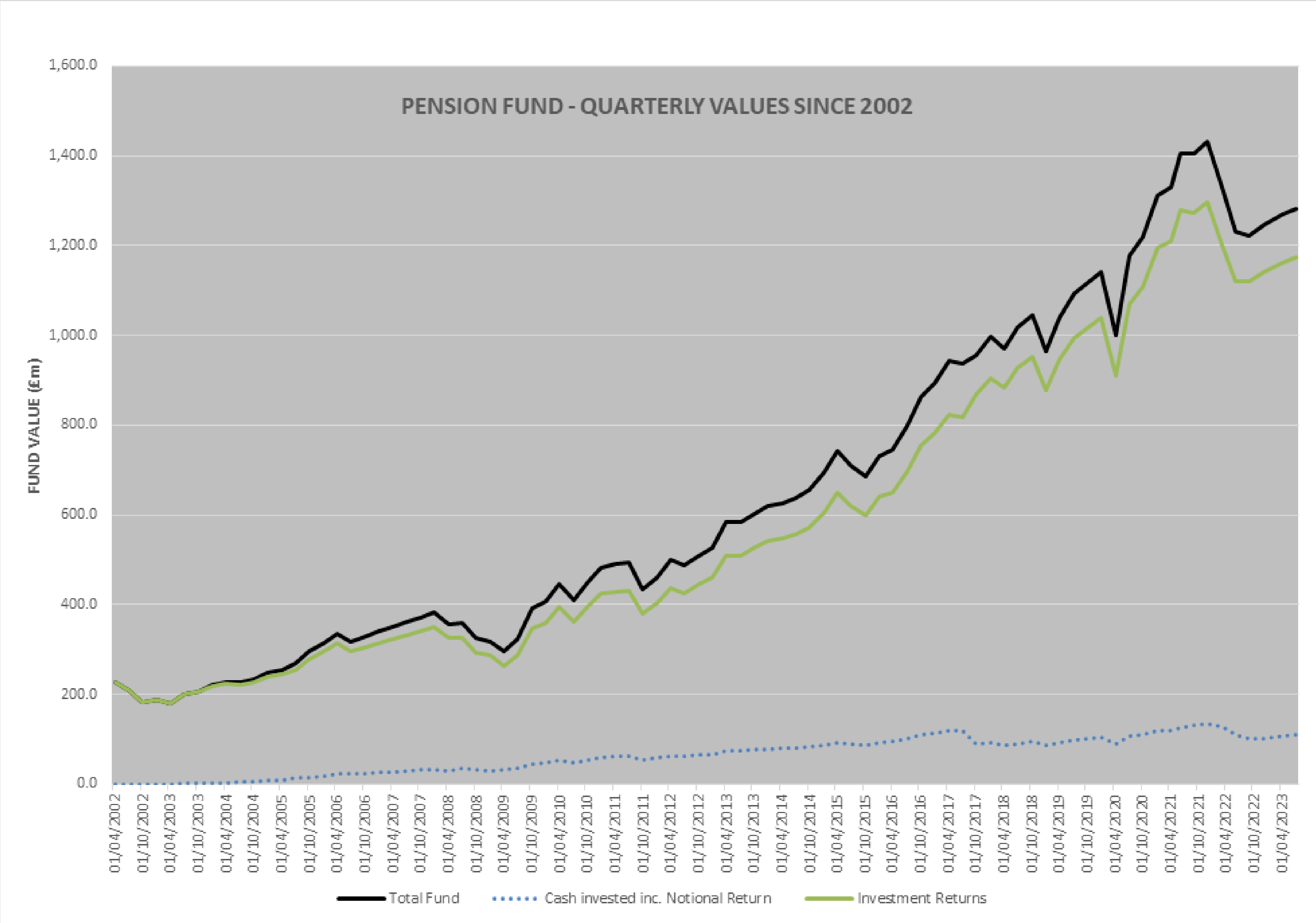
& Assets sold by Baillie Gifford (£51m), Standard Life (£29m) and Blackrock (£19m) in Feb 2018 to fund Fidelity MAI and Property funds.

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

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

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

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



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

Investment Performance

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

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

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

For comparison, the rankings in earlier years were 29% in 2013/14, 4% in 2012/13, 74% in 2011/12, 22% in 2010/11, 2% in 2009/10 (the second best in the whole local authority universe), 33% in 2008/09, 5% in 2007/08, 100% in 2006/07 (equal worst in the whole local authority universe), 5% in 2005/06, 75% in 2004/05, 52% in 2003/04, 43% in 2002/03 and 12% in 2001/02.

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

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

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

PENSION FUND MANAGER PERFORMANCE TO MARCH 2023

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

Medium and long-term performance data

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

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

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

Custodial arrangements

The Fund uses the Bank of New York (BNY) Mellon as custodian of the cash and securities deposited for safe custody, including stocks, shares, bonds, notes, coupons, certificates of deposit or commercial paper, whether in certificated, uncertificated, registered or bearer form. BNY also effect settlements and other transfers and arranges for the collection of dividends and other receipts.

FUND ADMINISTRATION REPORT
Pension Fund Governance Policy and Compliance Statement

In accordance with regulation 73A of the Local Government Pension Scheme Regulations 1997, the Council has produced a Pension Fund Governance Policy Statement. This is attached at pages 37 to 38. In addition, the Local Government Pension Scheme Regulations 2013 require administering authorities to report the extent of compliance against a set of best practice principles published by the government. The Governance Compliance Statement was reported to the General Purposes and Licensing Committee in July 2008 and is attached at pages 39 to 42.

Fund Administration

Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Details of their performance against standards are shown in the Management and Financial Report above.

Details of administration costs, including investment management fees, adviser fees and fees paid to Liberata are shown on pages 8 - 11 and in the supporting notes to the Pension Fund accounts (page 54).

Liberata UK Ltd

As administrators of the Fund, Liberata aim to provide Members with good quality service and to communicate effectively. They undertake the administration of the LGPS Regulations and associated legislation for over 15,000 Fund members, including LB Bromley staff, non-teaching staff employed by LB Bromley, Affinity Sutton (formerly Broomleigh Housing Association), Bromley MyTime, Liberata UK, Landscape Group, Certitude, Churchill Cleaning Services, Birkin Cleaning Services, Amey, Cushman and Wakefield, Bromley & Lewisham MIND, Certitude, Creative Support, Mears Care, British Telecom, Greenwich Leisure, Lewis & Graves, Lodestar Cleaning Services, EcoCleen Services, Ridge Crest Cleaning, Footscray Out of School Club, Busy Bee Cleaning, City West, Ambient Support, Diagrama Healthcare, Caterlink Bleheim, Caterlink Eden park, Caterlink Mottingham, Caterlink Scotts Park, Caterlink Ravensbourne School, Eleanor Nursing and social care and the Council's colleges - Ravensbourne University, academies and elected Members of the Council.

Administrator functions include:

- Provision of retirement benefits, life cover and dependants' benefits for current and former staff and their dependants.
- Maintenance of member pension records via interface from the Council payroll.
- Implementation of changes in the regulations affecting benefit (or potential benefit) entitlements and keeping members informed of their options.
- Provision of illustrations for transfer of members' previous pension benefits into the Fund and, where appropriate, affecting the transfer.
- Provision, on request, of illustrations of the benefits of paying additional contributions.
- Provision of details of preserved entitlements for early leavers and transfers out and payment as necessary.
- Provision of forecasts of redundancy and early retirement benefits and payment as necessary.
- Calculation and recovery of employer costs associated with the capital impact on the Fund of early payment of benefits – including one-off payments.
- Operation of special provisions of the LGPS relating to elected Members who have opted to join the Fund.
- Provision of data to the Council's actuary for the annual IAS19 exercise and for triennial full valuations of the Fund.

- Submission of statutory returns to government bodies as required.
- Maintenance of Pensions IT system, with updated versions and revisions to tables as advised by the actuary or the Government's Actuary Department.
- Advice and assistance on pension issues where members' employment is being transferred to a contractor under TUPE. Arranging terms for admission agreements to the Fund for new employers

Key activities in 2022/23 included:

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

Enquiries and Complaints

In order to protect Members' interests, the Council is required by the LGPS Regulations to set up a two-stage appeal procedure. Full details c a n be obtained from the Liberata Pensions Team (contact details shown below). In addition to the internal dispute process, Members also have access to a number of external advisers or regulators who are there to assist with pension matters.

Contacts for further information

Liberata UK Ltd, PO Box 1598, Croydon, CR0 0ZW	Tel: 020 8603 3429 E-mail: pensions@bromley.gov.uk Website: www.liberata.com
London Borough of Bromley, Director of Finance, Civic Centre, Stockwell Close, Bromley, BR1 3UH	Tel: 020 8464 3333 Website: www.bromley.gov.uk

Pension Tracing Service (for ex-members no longer in touch with former employers)

The Pension Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU	Tel: 0345 600 2537

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

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

The Fund's Internal Dispute Resolution Procedure.

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

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

The IDRP has two stages:

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

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

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

Membership of Bodies

The Fund is a member of the following bodies:

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

ACTUARIAL REPORT

The regulations require an actuarial valuation of the Fund's assets and liabilities every three years and the Pensions Committee is responsible for considering the actuary's report. In the report on the most recent valuation as at 31st March 2022, the Fund's actuary, Mercer Ltd, determined the level of employers' contributions for the three years 2023/24 to 2025/26. Employers' contributions have to provide both for the ongoing cost of pensions in respect of employees' future service and for the eventual elimination of the shortfall in respect of past service (if that is applicable for the employer). Contribution rates for the years 2020/21 to 2023/24 were set by the 2019 valuation. The next full valuation of the Fund (as at 31st March 2025) will be carried out during 2025/26 with updated contributions becoming payable by employers from 2026/27.

In the 2022 valuation, the actuary found that the value of the Fund's assets represented 115% of the value of its liabilities, up from 110% in 2019. The actuarially assessed positions at 31 March 2019 and 2022 are summarised in the table below.

Valuation	**31 March 2019**	**31 March 2022**	**% change**
	£m	£m	%
Liabilities	945	1,163	+23.1
Assets	1,039	1,339	+28.9
Surplus	94*	176**	+87.2
Funding level	110%	115%	+5.0

*The 2019 position excludes the estimated impact of the proposed McCloud remedy. Allowing for this would have reduced the 2019 surplus to £87m The 2022 position includes allowance for the potential cost of implementing the remedy.
**The 2022 position includes an additional liability reserve for those employers who opted for this as part of the Funding Strategy consultation undertaken. The reserve provides protection against adverse future market/membership experience.

The key actuarial assumptions as at 31st March 2019 and 2022 are shown below:

Financial Assumptions	**2019**	**2022**
Future investment returns	**% p.a.**	**% p.a.**
Discount Rate	3.65	4.1
Pay increases – long term	3.90	4.60
General CPI inflation	2.4	3.1
Pension increases	2.4	3.1

In the 2019 Valuation, the primary employer contribution rate in respect of future service with effect from 1st April 2020 to 31st March 2023 was set at 17.6% for all Fund employers. The 2022 Valuation increased this to a weighted average of 19.0% for the three years 1st April 2023 to 31st March 2026, and for the Council, the rate is 18.3%. The 2019 rate excludes an average contribution of 0.7% paid by employers to cover the accruing costs of McCloud up to the remedy end date of 31 March 2022. Primary contributions were set using a discount rate of 3.65% p.a. at the 2019 Valuation and 4.1% p.a. at the 2022 Valuation (other assumptions as per the table above).

In addition to the primary contributions payable in respect of active Fund members, for those employers in deficit they are also required to make secondary contributions to eliminate the deficit. For the 2022 Valuation, the average recovery period for those employers in deficit was 10 years. For those employers in surplus, surplus offset secondary contributions were permissible in certain circumstances (based on a 12 year recovery period) to help achieve contribution rate stability). Total secondary rate contributions for 2023/24 to 2025/26 equated to 0.04% p.a. of pensionable pay. For the Council, for the 2022 valuation, the secondary rate contribution was a surplus offset of 0.6% p.a. of pensionable pay to achieve contribution rate stability for 2023/24 to 2025/26, with a recovery period of 12 years. This equates to a total contribution of 17.7% p.a. over that period.

The 2022 valuation report also contained contribution rates for the other employers in the Fund, including Ravensbourne University London, Liberata UK, Birkin Cleaning Services, Landscape Group, Creative, Mears Care, BT, Greenwich Leisure, Ridge Crest Cleaning, Footscray out of School Club, Busy Bee Cleaning, Ambient Support, Diagrama Healthcare and Eleanor Nursing and Caterlink, as well as for schools. Separate contribution rates were also set for those schools that had adopted academy status.

Overall, income to the Fund from employer contributions is expected to fall slightly over the period to 31 March 2026, compared to the contributions that would have been payable on the 2019 actuarial valuation outcomes. This is due primarily to the improved funding level emerging and subsequent reduction in secondary contributions payable. The Fund's current objective is to achieve and maintain a funding level of 100% over a reasonable time period. This will be reassessed in the next full valuation (as at 31st March 2025), the results of which will be known towards the end of 2025/26.

The latest Fund valuation report (as at 31st March 2022) can be found at https://www.bromley.gov.uk/downloads/download/419/london-borough-of-bromley-pension-fund-annual-report. No interim valuations were carried out between that date and the previous full valuation as at 31st March 2019.

The actuary's Summary Funding Statement and Rates and Adjustments certificate are attached at pages 25 to 26 and 27 to 31 respectively.

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2022 – KEY RESULTS OF THE FUNDING ASSESSMENT (Section 3 of the Actuarial Valuation as at 31 March 2022)

SOLVENCY FUNDING POSITION

The table below compares the assets and liabilities of the Fund at 31 March 2022. Figures are also shown for the last valuation as at 31 March 2019 for comparison.

	£m	
	31 March 2019	**31 March 2022**
Total assets	1,039	1,339
Liabilities:		
Active members	277	360
Deferred pensioners	205	266
Pensioners	463	537
Total liabilities	945	1,163
Past service surplus / (shortfall)	94	176
Funding level	110%	115%

The liability value at 31 March 2022 shown in the table above is known as the Fund's solvency funding target". The solvency funding target is calculated using assumptions that the Administering Authority has determined are appropriate having consulted with the actuary, and are also set out in the Administering Authority's Funding Strategy Statement (FSS).

The table shows that at 31 March 2022 there was a surplus of £176m against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover 115% of its liabilities – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2019 the surplus was £94m, equivalent to a solvency funding level of 110%. The key reasons for the changes between the two valuations are considered in Section 4 of the full valuation report. Further details of the way in which the solvency funding target has been calculated are set out in Appendix A of the full valuation report.

PRIMARY CONTRIBUTION RATE

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

The table below gives a breakdown of the Primary Contribution Rate at 31 March 2022 and also shows the corresponding rate at 31 March 2019 for comparison. In calculating the average Primary Contribution Rate we have not made any allowance for future members to opt for the 50:50 scheme.

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

	% of pensionable pay	
	31 March 2022	**31 March 2019**
Normal contribution rate for retirement and death benefits	24.6	23.4
Allowance for administrative expenses	1.0	0.7
Total normal contribution rate	25.6	24.1
Average member contribution rate	6.6	6.5
Common Contribution rate	19.0	17.6

** In line with updated CIPFA guidance, the 2022 Primary Contribution Rate is the weighted average of the individual employer Primary Contribution Rates as derived based on their individual circumstances (e.g. whether or not they are closed to new entrants).*

CORRECTING THE IMBALANCE – SECONDARY CONTRIBUTION RATE

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period adopted is 10 years, and for employers in surplus is 12 years. The total initial recovery payment (the "Secondary rate" for 2023/24) is an offset of 0.04% of salaries - approximately £0.05m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS, including allowance for some employers to phase in any increases).

McCLOUD JUDGEMENT

The Actuary has carried out a stand-alone estimate of the cost of the McCloud Judgment. We estimate that the cost is an increase in past service liabilities at the valuation date of £11 million. This represents 0.9% of total past service liabilities and is included in the 2022 liability figure above. Provision for these estimated McCloud costs has been included within the Secondary Contribution Rate shown above and in the corresponding Secondary Contribution Rate for each individual employer.

LONDON BOROUGH OF BROMLEY PENSION FUND
ACTUARIAL VALUATION 31 MARCH 2022 – RATES AND ADJUSTMENTS CERTIFICATE ISSUED IN ACCORDANCE WITH REGULATION 62
(Appendix G of the Funding Report of the Actuarial Valuation as at 31 March 2022)

PRIMARY CONTRIBUTION RATE
I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2023 is 19.0% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2023 is set out in the attached schedule.

SECONDARY CONTRIBUTION RATE
I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2023 is as follows:

2023/24 0.04% of pensionable pay (offset)
2024/25 0.04% of pensionable pay (offset)
2025/26 0.04% of pensionable pay (offset)

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2023 is set out in the attached schedule.

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

FURTHER ADJUSTMENTS
A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.
The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the three years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of £nil.

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

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

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

REGULATION 62(8)
No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Clive Lewis
Fellow of the Institute and Faculty of Actuaries
30th March 2023

Michelle Doman
Fellow of the Institute and Faculty of Actuaries

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

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

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

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

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

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

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

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

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

LONDON BOROUGH OF BROMLEY PENSION FUND
GOVERNANCE POLICY STATEMENT

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

2. It was published after consultation with the other employers in the Fund, namely Bromley & Orpington College, Ravensbourne College, Clarion Housing (formerly Affinity Sutton), Bromley Mytime and Bromley & Lewisham MIND. The Council also consulted its employees through their departmental representatives and trade unions.

3. Before publishing the statement, the Council took into account guidance issued by the CIPFA Pensions Panel under the title "Local Government Pension Scheme: Pension Fund Decision Making – Guidance Notes (2006)".

4. Under Schedule 1, paragraph H1 of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000 No. 2853), functions relating to local government pensions are not to be the responsibility of an authority's Executive.

5. The Council has made the following arrangements for delegation of its functions relating to pensions:

   (a) Overall responsibility for administration of the Local Government Pension Scheme has been delegated to the General Purposes and Licensing Committee.

   (b) Responsibility for the following functions has been delegated to the Pensions Committee, which is a sub-committee of the General Purposes and Licensing Committee:

      (i) Monitoring the financial position of the Pension Fund, including consideration of the triennial actuarial valuations.

      (ii) Investment of the Pension Fund, including the appointment of investment managers.

      (iii) Management of the Council's additional voluntary contributions (AVC) scheme.

   (c) Responsibility for day-to-day administration has been delegated to the Director of Finance. He has issued operational guidelines for internal use by staff, including staff employed by Liberata Pensions, for reference in determining the day-to-day issues that have been delegated to him.

6. The General Purposes and Licensing Committee normally meets six times a year. Its membership comprises 15 elected councillors, with its political make-up determined according to proportionality rules.

7. The Pensions Committee normally meets five times a year. Its primary function is to review the investment performance of the Fund's external investment managers. Its membership comprises seven elected councillors, with its political make- up determined in accordance with proportionality rules.

8. Neither the General Purposes and Licensing Committee nor the Pensions Committee includes any representatives of the other Fund employers. The Council does not believe that it would be practicable for these employers to be represented on either committee as this would result in an inappropriate balance of committee membership given that a large proportion of the Fund's members are the financial responsibility of the Council.

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

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

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

GOVERNANCE COMPLIANCE STATEMENT

The objective of the Governance Compliance Statement is to make the administration and stewardship of the scheme more transparent and accountable to our stakeholders.

Principle A – Structure

a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully compliant
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partly compliant
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Partly compliant
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Partly compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Neither the General Purposes and Licensing Committee nor the Pensions Committee includes any representatives of the other Fund employers. The Council does not believe that it would be practicable for these employers to be represented on either committee, as this would result in an inappropriate balance of committee membership given that a large proportion of the Fund's members are the financial responsibility of the Council. This matter will be kept under review. There are two employer representatives and two member representatives on the Local Pension Board.

Principle B – Representation

a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members); iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Partly compliant

b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision- making process, with or without voting rights.	Fully compliant

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

Please use this space if you wish to add anything to explain or expand on the ratings given above:- The two employer representatives and two member representatives on the Local Pension Board receive all papers for, and can attend Committee meetings. Equal access is given to training and they also have a full opportunity to contribute to the decision making process but without voting rights.

Principle C – Selection and role of lay members

a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully compliant

Principle D – Voting

a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above:- Before publishing the statement, the Council took into account guidance issued by the CIPFA Pensions Panel under the title “Local Government Pension Scheme: Pension Fund Decision Making – Guidance Notes (2006)”.

Principle E – Training, Facility time, Expenses

a)	That, in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully compliant

b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above: The policy is to ensure that there is regular and comprehensive access to training. In-house training sessions for Councillors were held in January 2016, January 2017 and November 2018. Further ongoing training will be arranged.

Principle F – Meetings (frequency/quorum)

a)	That an administering authority's main committee or committees meet at least quarterly.	Fully compliant
b)	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Partly compliant

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) As stated the two employer representatives and two member representatives on the Local Pensions Board receive all papers for, and can attend all Pensions Committee meetings.

Please use this space if you wish to add anything to explain or expand on the ratings given above: The General Purposes and Licensing Committee meets six times per year plus any special meetings. The Pensions Committee meets four times per annum plus any special meetings.

Principle G – Access

a)	That, subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that fall to be considered at meetings of the main committee.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above: Equal access is given.

Principle H – Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully compliant

Please use this space if you wish to add anything to explain or expand on the ratings given above: Wider scheme issues are also part of the Council's governance arrangements.

Principle I – Publicity

a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully compliant

FUND ACCOUNT AND NET ASSETS STATEMENT

Regulation 34(1)(f) requires an administering authority to prepare a Pension Fund account and net assets statement with supporting notes and disclosures prepared in accordance with proper practice. These statements must be included in this annual report and must be drawn up in accordance with the Code of Practice on Local Authority Accounting issued by CIPFA.

The accounts have to be accompanied by a statement of responsibilities signed by the Director of Finance and by the independent auditor's report. These can be found on pages 44 to 45. The Fund Account and Net Assets Statement are on pages 46 and 47, supporting notes are on pages 48 to 66 and details of the Pension Fund Revenue Account are on page 67.

During 2022/23, the total net assets of the Fund decreased from £1,346.3m to £1,296.5m. The Pension Fund Revenue Account showed an overall surplus of £22.7m in 2022/23 (excluding changes in market value), and total Fund membership numbers increased in the year from 20,232 to 21,135.

APPROVAL OF THE PENSION FUND STATEMENT OF ACCOUNTS

I hereby confirm that the Pension Fund Statement of Accounts for the year ending 31 March 2023, as signed by the Director of Finance on 12 December 2024, has been approved by the Chairman of the Audit and Risk Management Committee of the London Borough of Bromley on 12 December 2024.

Councillor Michael Tickner
Chairman of the Audit and Risk Management Committee

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required:

* to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance;
* to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
* to approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

* selected suitable accounting policies and then applied them consistently;
* made judgements and estimates that were reasonable and prudent; and
* complied with the Code of Practice.

The Director of Finance has also:

* kept proper accounting records which were up to date;
* taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance

I certify that the Pension Fund accounts set out on pages 47 - 67 of the Pension Fund Annual Report give a true and fair view of the financial position of the Authority as at 31st March 2023 and its income and expenditure for the year ended 31st March 2023.

Peter Turner

Director of Finance

Dated 12/12/2024

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF THE LONDON BOROUGH OF BROMLEY ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and the related notes.
In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of the London Borough of Bromley for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the pension fund's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of the London Borough of Bromley, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of:

- Foreword
- Management & Financial Performance Report
- Investment Policy & Performance Report
- Fund Administration Report
- Actuarial Report
- Governance Policy and Compliance Statement
- Fund Account and Net Assets Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Appendices

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Elizabeth Jackson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
12 December 2024

PENSION FUND ACCOUNT

2021/22			Note	2022/23	
£000	£000			£000	£000
		Dealings with members and employers			
		Contributions and similar payments			
8,171		Contributions - from members	**5**	8,900	
25,008		- from employers	**5**	26,924	
4,567		Transfers in from other pension funds (individual)		5,596	
	37,746				41,420
		Benefits			
(30,053)		Pensions		(31,584)	
(4,079)		Lump sum benefits - retirement	**6**	(4,514)	
(345)		- death	**6**	(492)	
	(34,477)				(36,590)
		Payments to and on account of leavers			
(271)		Refunds of contributions		(153)	
(2,541)		Transfers out (individual)		(4,079)	
	(2,812)				(4,232)
	457	**Net (withdrawal) / addition from dealings with Fund members**			598
	(6,792)	**Management expenses**			(7,008)
	(6,335)	**Net (withdrawal) / addition including fund management expenses**			(6,410)
		Returns on investments			
25,658		Investment income	**9**	30,468	
(14,897)		Profit and losses on the disposal of investments and changes in the value of investments	**10**	(73,918)	
	10,761	Net return on investments			(43,450)
	4,426	**Net increase/(decrease) in the net assets available for benefits during the year**			(49,860)
	1,341,898	Opening net assets of the scheme			1,346,324
	1,346,324	**Closing net assets of the scheme**			**1,296,464**

NET ASSETS STATEMENT

31st March 2022				31st March 2023	
£000	£000		Note	£000	£000
		Long term investments			
	150	Shares in London Collective Investment Vehicle (CIV)	10		150
		Investment assets	10		
	850,400	**Equities**			773,901
		Pooled funds	10		
142,337		Fixed income		142,087	
233,688		Multi-asset income		238,264	
	376,025				380,351
		Other investments	10		
81,776		Pooled property investments		79,374	
	81,776				79,374
6,558		Cash deposits held by investment managers		10,743	
11,159		Money market funds		20,524	
4,763		Investment income due		5,642	
		Amounts receivable for sales		187	
	22,480				37,096
	1,330,831	Total investment assets			1,270,872
		Investment liabilities			
-		Amounts payable for purchases		(665)	
	-	Total investment liabilities			(665)
	1,330,831	**Total net investments**	10		1,270,207
	1,321	Long-term debtors	14		988
		Current assets			
13,152		Short term lending		13,098	
		Cash balances		12,188	
2,002		Debtors	13	3,105	
	15,154				28,391
		Current liabilities			
	(981)	Creditors	13		(3,121)
	1,346,325	**Net assets of the fund available to fund benefits at the end of the reporting period**			**1,296,465**

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

1 *Description of Fund*

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

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

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

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

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

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

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

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

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

1 *Description of Fund (continued)*

(c) Funding

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

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

(d) Benefits

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

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

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

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

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

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

2 *Basis of Preparation*

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

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

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

2 *Basis of Preparation (continued)*

Cash flow in the Fund is generally provided by the ongoing excess of contributions over payments. Additionally, a portion of investment income generated by the Fund is also retained as cash to provide additional liquidity. The Fund held cash of £32.7 million at the Balance Sheet date, equivalent to 2.5% of the Fund Assets. In addition, the Fund held £1.17 billion in Level 1 and Level 2 investment assets which could be realised in 3 months if required.

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

3 *Summary of Significant Accounting Policies*

(a) Contribution income

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

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

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

(c) Investment Income

(i) Interest income

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

(ii) Dividend income

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

(iii) Distributions from pooled funds

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

(iv) Movement in the net market value of investments

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

(d) Benefits payable

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund, as appropriate.

3 Summary of Significant Accounting Policies (continued)

(e) Taxation

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

(f) Management expenses

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

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

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

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

(g) Investment management expenses

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

(h) Financial assets

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

(i) Foreign currency transactions

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

(j) Cash and cash equivalents

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

(k) Financial liabilities

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

3 Summary of Significant Accounting Policies (continued)

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

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

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

(o) Events After the Reporting Period End
Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Pension Fund accounts and authorised for issue. Two types of events can be identified:
-those that provide evidence of conditions that existed at the end of the reporting period – the accounts are ad are adjusted to reflect such events
-those that are indicative of conditions that arose after the reporting period – the accounts are not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made of the nature of the events and their estimated financial effect.

(p) Basis for Valuation
Investments are shown in the accounts at market value, which has been determined as follows:

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

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

Level 3 - Fidelity and Morgan Stanley Northaven pooled property funds
Market value as published in the audited accounts.

(q) Roundings
It is not the Council’s policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

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

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

The actuarial present value of promised retirement benefits is included in Note 16. Estimation of the net liability to pay pensions and the judgements used are carried out by the scheme actuary. The significant judgements relate to the discount rate used, salary increase projections, inflation and demographic assumptions. As for the 31 March 2022 figures, the figure includes the potential impact of the McCloud judgement.

5 *Contributions receivable*

	2021/22 £000	2022/23 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley - normal	9,730	10,313
- augmentations	38	-
- deficit funding	75	-
Scheduled bodies - Foundation Schools	151	250
	9,994	10,563
Other		
Scheduled bodies - normal - academies	13,015	14,481
- normal - colleges	775	777
Admitted bodies - normal	745	626
- deficit funding	478	478
	25,007	26,924
Member Contributions		
L.B. Bromley part of Fund		
L.B. Bromley	3,726	3,902
Scheduled bodies - Foundation Schools	57	166
	3,783	4,068
Other		
Scheduled bodies - academies	3,665	4,111
- colleges	410	409
Admitted bodies	312	311
	8,170	8,900

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

6 *Benefits Payable*

	2021/22 £000	2022/23 £000
Pensions		
L.B. Bromley part of Fund	16,000	16,815
Scheduled bodies - Foundation Schools	12,000	12,611
Admitted bodies	2,053	2,158
	30,053	31,584
Lump Sum Benefits - retirement		
L.B. Bromley part of Fund	2,641	2,923
Scheduled bodies - Foundation Schools	1,004	1,111
Admitted bodies	434	480
	4,079	4,514
Lump Sum Benefits - death		
L.B. Bromley part of Fund	325	463
Scheduled bodies - Foundation Schools	20	29
Admitted bodies	-	-
	345	492

7 *Management Expenses*

	2021/22	2022/23
	£000	£000
Administrative costs	1,043	985
London CIV implementation & service chg	110	110
External audit costs	21	16
Investment management expenses	5,428	5,538
Oversight and governance costs	190	358
	6,792	7,008

8 *Investment Management Expenses*

	2021/22	2022/23
	£000	£000
Management fees	5,186	5,253
Custody fees	149	216
Transaction costs	93	69
	5,428	5,538

9 *Investment Income*

	2021/22	2022/23
	£000	£000
Income from equities	11,502	13,518
Pooled property investments	2,669	3,521
Pooled investments	11,501	13,367
Interest on cash deposits	-14	62
	25,658	30,468

10 *Investments*

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

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

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

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

	31st March 2022		31st March 2023	
	£000	%	£000	%
Baillie Gifford - global equities	527,722	39.72%	437,538	34.54%
Fidelity - fixed income	142,345	10.71%	142,095	11.22%
- multi-asset income	125,544	9.45%	124,341	9.81%
- pooled property	77,968	5.87%	65,144	5.14%
- USD liquidity fund	11,159	0.84%	20,524	1.62%
MFS - global equities	331,773	24.97%	348,988	27.55%
MS Northaven - US Property	3,807	0.29%	14,230	1.12%
Schroders - multi-asset income	108,149	8.14%	113,930	8.99%
London CIV	150	0.01%	150	0.01%
	1,328,617	100.00%	1,266,940	100.00%

10 *Investments (continued)*

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

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

	31st March 2022	31st March 2023
	£000	£000
Multi-Asset Income Fund (2)	233,693	238,271
Property Funds (2)	81,775	79,374
Sterling Bond Funds (1)	142,345	142,095
	457,813	459,740

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

	Value at 31st March 2022	Purchases	Sales	Change in value	Value at 31st March 2023
	£000	£000	£000	£000	£000
Equities	850,400	127,184	(187,509)	(16,174)	773,901
Pooled investments	376,020	50,000	(1,064)	(44,604)	380,352
Pooled property investments	81,776	12,175	(1,033)	(13,545)	79,373
	1,308,196	189,359	(189,606)	(74,323)	1,233,626
Money market funds	11,159			624	20,524
Cash deposits	6,563			(79)	10,745
Amounts receivable for sales	-				187
Investment income due	4,763				5,642
Amounts payable for purchases	-				(665)
Net investment assets	**1,330,681**			**(73,778)**	**1,270,059**

	Value at 31st March 2021	Purchases	Sales	Change in value	Value at 31st March 2022
	£000	£000	£000	£000	£000
Equities	877,796	156,963	(173,522)	(10,837)	850,400
Pooled investments	392,851	89,182	(89,182)	(16,826)	376,020
Pooled property investments	46,311	23,842	-	11,623	81,776
	1,316,958	269,987	(262,704)	(16,040)	1,308,196
Money market funds					11,159
Cash deposits	13,285			1,143	6,563
Amounts receivable for sales	-				-
Investment income due	3,020				4,763
Amounts payable for purchases	136				-
Net investment assets	**1,333,399**			**(14,897)**	**1,330,681**

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

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

10 Investments (continued)

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

	31st March 2022		31st March 2023	
	£000	% of total	£000	% of total
Fidelity				
- Institutional Aggregate Bond Fund	142,337	10.57	142,087	10.96
- Diversified Income Fund	125,544	9.32	124,341	9.59
- UK Real Estate Fund	77,968	5.79	65,144	5.02
Schroders - Global Multi Asset Income	108,149	8.03	113,930	8.79

11 Fair Value Hierarchy

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

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

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

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

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

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

	As at 31st March 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss				
Equities	773,901			773,901
Pooled investments		380,352		380,352
Pooled property investments			79,374	79,374
London CIV			150	150
Cash deposits	10,745			10,745
Investment income due	5,642			5,642
Amounts receivable for sales	187			187
	790,475	380,352	79,524	1,250,350
Financial liabilities at fair value through profit and loss				
Amounts payable for purchases	(665)			(665)
	(665)	-	-	(665)
Total	**789,809**	**380,352**	**79,524**	**1,249,685**

11 Fair Value Hierarchy (continued)

There were no transfers between levels during 2022/23

	As at 31st March 2022			
	Level 1 £'000	**Level 2** £'000	**Level 3** £'000	**Total** £'000
Financial assets at fair value				
Equities	859,495			859,495
Pooled investments		376,038		376,038
Pooled property investments			81,776	81,776
London CIV			150	150
Cash deposits	6,558			6,558
Investment income due	4,763			4,763
Amounts receivable for sales	0			-
	870,816	376,038	81,926	1,328,780
Financial liabilities at fair value				
Amounts payable for purchases	-			-
	-	-	-	-
Total	**870,816**	**376,038**	**81,926**	**1,328,780**

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

Category of Investment Asset	**Basis of Valuation**	**Observable & Unobservable Inputs**	**Key Sensitivities Affecting the Valuations Provided**
Level 1			
Global equities	The published bid market price on the final day of the accounting period	Not required	Not required
Cash deposits held by Investment Managers	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Investment income due	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Futures and UK bond options (derivatives)	Published exchange price at the year end	Not required	Not required
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Third party loans	Carrying value is deemed to be fair value because expected future interest rates are not significantly different from contractual interest rates for the loan	Not required	Not required

11 *Fair Value Hierarchy (continued)*

Level 2			
Unquoted equity investments	Average of broker prices	Not required	Not required
Unquoted fixed income bonds and unit trusts	Average of broker prices	Not required	Not required
Unquoted pooled fund investments	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Market forward exchange rates at the year end	Exchange rate risk	Not required
Pooled property funds and hedge funds where regular trading takes place	Closing bid price where bid and offer prices are published. Closing single prices where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Level 3			
Share in London CIV	Regulatory capital payment for pooling membership	Valued at book cost	Not required
Pooled property	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Not required
Freehold and leasehold properties	Valued at fair value at year end	Not required	Not required
Shares in London CIV asset pool	Estimated value of the pension funds share of net assets held by the asset pool, based on relative % of shares held and voting rights	Not required	Not required
Other unquoted and private equities	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital guidelines 2018	Not required	Not required

Sensitivity of Assets Valued at Level 3

The Fund has determined that the valuation methods described for Level 3 investments, are likely to be accurate within certain ranges. The Pension Funds' only Level 3 investments are the Fidelity and Morgan Stanley Northaven Pooled Property investments. Please see Note 19 - Other Price Risk Sensitivity Analysis, which describes the value of each asset class at 31 March 2023, potential market movements (%), value on increase and decrease respectively.

12 *Classification of Financial Instruments*

2021/22				2022/23		
Fair value through profit and loss	***Financial assets at amortised cost***	***Financial liabilities at amortised cost***		***Fair value through profit and loss***	***Financial assets at amortised cost***	***Financial liabilities at amortised cost***
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
376,025			Pooled Investment Vehicles	380,352		
850,400			Equities	773,901		
81,776			Pooled property investments	79,374		
6,558			Cash deposits held by investment managers	10,745		
4,763			Investment income due	5,642		
150			London Collective Investment Vehicle	150		
11,159			Cash balances	32,712		
0			Other investment balances	-478		
	4,971		Debtors		3,105	
	13,152		Short term lending		13,098	
	506		Long term debtor		612	
1,330,831	**18,629**		**Total Financial Assets**	**1,282,397**	**16,815**	
			Financial Liabilities			
			Other investment balances			
		(981)	Sundry creditors			(3,121)
		(981)	**Total Financial Liabilities**			**(3,121)**
1,330,831	**18,629**	**(981)**	**Net Financial Assets**	**1,282,397**	**16,815**	**(3,121)**

13 *Current assets and liabilities*

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

	2021/22	**2022/23**
Short term debtors	£000	£000
Contributions due from employers and employees	1,941	2,039
Other	2	1,066
	1,943	3,105
Current liabilities		
Fund management fees	953	1,122
Other	27	1,999
	980	3,121

14 *Long term debtors*

	2021/22	**2022/23**
Long term debtors	£000	£000
Repayment of Exit Agreement	815	337
Reimbursement of lifetime tax allowances	506	651
	1,321	988

15 *Funding Arrangements*

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

The valuation of the Fund (as at 31st March 2019) calculated a solvency funding level of 110% and set a common employer contribution rate (including allowance for McCloud) of 20.0% and total annual lump sum past-deficit contributions of £0.1m from 1st April 2020 until 31st March 2023 for those employers where a shortfall exsists, additional contributions will be required over an average recovery period of 12 years.

The most recent full valuation of the Fund (as at 31st March 2022) was carried out by the actuary during 2022/23. This calculated a new solvency funding level of 115%. For those employers where a shortfall exists, additional contributions will be required to correct this shortfall over an average recovery period of 10 years.

From 1st April 2023 until March 2026 the actuary has certified a Primary Contribution rate (i.e. the average contribution towards future service benefits across all employers) of 19.0% of pay. Secondary rate contributions is an offset of 0.04% of pay per annum (totalling approximately £0.05m per annum on average across all employers). The Secondary Rate payable

also includes contributions towards the potential impact of the McCloud judgement as agreed with employers.

For any schools adopting academy status from 1 April 2024, a contribution rate calculation will be carried out individually by the actuary.

The following assumptions were employed in the 2019 and 2022 valuations.

	2019	**2022**
Economic assumptions	**% p.a.**	**% p.a.**
Increases in earnings - long term	3.9	4.6
- short term (3 years)	n/a	n/a
General Inflation	2.4	3.1
Increases in pensions	2.4	3.1
Investment return - Overall discount rate	3.65	4.1
Mortality assumptions	**Years**	**Years**
Life expectancy - male aged 65 now	22.7	22.3
- at 65 for male aged 45 now	24.6	23.7
- female aged 65 now	25.1	24.4
- at 65 for female aged 45 now	27.1	26.5

Commutation assumption - It has been assumed that, on average, retiring members will take 75% of the maximum tax-free cash available at retirement. This is slightly less than the assumption at the 2019 actuarial valuation which was equivalent to members taking about 80% of the maximum tax-free cash available.

16 *Actuarial Present Value of Promised Retirement Benefits*

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 44 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund.

The Fund is also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £1,032m as at 31st March 2023 (£1,451m as at 31st March 2022).

	31 March 2022	**31 March 2023**
	£000	£000
Present value of promised retirement benefits	-1,451,000	-1,032,000
Fair value of scheme assets (bid value)	1,330,831	1,282,397
Net asset(+) / net liability(-)	**-120,169**	**250,397**

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

16 *Actuarial Present Value of Promised Retirement Benefits (continued)*

The key feature of the proposed remedy is to extend the final salary "underpin" to a wider group of members for service up to 31 March 2023. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014. In preparing the 2019 actuarial valuation of the London Borough of Bromley Pension Fund, the Fund's actuary assessed, at the overall Fund level that the potential cost of the judgment could be an increase in past service liabilities of broadly £7 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum for the period to 31 March 2022. For the 2022 valuation these figures were £11 million and 0.9%.
As part of the valuation, employers in the Fund were given the option to pay additional contributions to meet these potential costs.

A similar allowance of the potential costs of the Judgment has been incorporated into the IAS26 figures above.

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

The start of period demographic assumptions used in the IAS 26 report were the same as those used for the 2019 full valuation (see Note 15), updated to the 2021 CMI future improvement tables, and the end of period assumptions are based on the 2022 valuation with a long-term life expectancy improvement of 1.5%.
In addition, the following financial assumptions were used:

	2022	**2023**
	% p.a.	**% p.a.**
Increases in earnings	4.9	4.2
Increases in pensions	3.5	2.8
Inflation	3.4	2.7
Investment return - Overall discount rate	2.8	4.8

17 *Additional Voluntary Contributions*

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2021/22 and 2022/23 and the total value of AVC Funds as at 31st March 2022 and 2023 is shown below.

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

	2021/22	**2022/23**
Market Value	**£000**	**£000**
- Aviva	575	553
- Utmost Life & Pensions	61	60
Total Market Value	**636**	**612**

18 *Related Parties*

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

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

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

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

18 Related Parties (continued)

During the financial year the average monthly cash balance of the Pension Fund was positive and as a result, interest of £258k was paid to the Fund, (£59.7k in 2021/22). In 2022/2023, £921k was charged to the Fund for expenses incurred in administering the Fund (£1,068k in 2020/21).

19 Nature and extent of risks arising from financial instruments

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

Risk and Risk Management

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

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

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

19 Nature and extent of risks arising from financial instruments (continued)

Other price risk - Sensitivity Analysis

Asset type	Value as at 31.03.2023	Potential market movements (+/-)	Value on increase	Value on decrease
	£000		£000	£000
UK bonds	142,486	13.66%	161,950	123,023
Overseas bonds	(399)	13.66%	(453)	(344)
UK quoted equities	42,450	1.18%	42,951	41,949
UK unquoted equities	150	0	150	150
Overseas equities	731,452	1.18%	740,083	722,821
Pooled investments - OIECs	239,152	4.50%	249,914	228,390
Pooled property investments - OIECs	65,144	14.47%	74,571	55,718
Overseas property investments	14,230	14.47%	16,289	12,171
Total	1,234,664		1,285,453	1,183,876

Asset type	Value as at 31.03.2022	Potential market	Value on increase	Value on decrease
	£000		£000	£000
UK bonds	142,524	5.24%	149,992	135,056
Overseas bonds	(187)	5.24%	(197)	(177)
UK quoted equities	43,341	12.66%	48,828	37,854
UK unquoted equities	150	0	150	150
Overseas equities	807,094	12.66%	909,272	704,916
Pooled investments - OIECs	233,688	4.50%	244,204	223,172
Pooled property investments - OIECs	77,968	23.14%	96,010	59,926
Overseas property investments	3,807	23.14%	4,688	2,926
Total	1,308,385		1,452,947	1,163,823

Currency Risk

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

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

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

The Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

19 Nature and extent of risks arising from financial instruments (continued)

Currency Risk - Sensitivity Analysis

Assets exposed to currency risk	Asset value as at 31.03.2023	Potential market movement	Value on increase	Value on decrease
	£000		£000	£000
Overseas bonds	(399)	(40)	(439)	(360)
Overseas equities	731,452	73,145	804,597	658,307
Overseas pooled property	14,230	854	15,083	13,376
Cash and cash equivalents	25,429	2,543	27,972	22,886
Total change in assets available to pay benefits	770,711	76,501	847,213	694,208

Assets exposed to currency risk	Asset value as at 31.03.2022	Potential market movement	Value on increase	Value on decrease
	£000		£000	£000
Overseas bonds	(187)	(19)	(206)	(168)
Overseas equities	807,094	80,709	887,803	726,385
Overseas pooled property	3,807	228	4,035	3,579
Cash and cash equivalents	13,475	1,348	14,823	12,128
Total change in assets available to pay benefits	824,189	82,267	906,456	741,924

Credit Risk

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

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

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

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

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

Liquidity Risk

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

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund’s investment strategy. The Fund’s investment strategy ensures that around 95% of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

19 Nature and extent of risks arising from financial instruments (continued)

Liquidity Risk continued

The Fund has illiquid assets through the Fidelity and Morgan Stanley Northaven Property Funds, which had values of £65.1m and £14.2m respectively as at 31st March 2023, representing 6.4% of investment assets (£78.0m (5.9%) and £3.8m (0.3%) as at 31st March 2022).

Interest rate risk

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

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

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

Interest rate - risk sensitivity analysis

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

Assets exposed to interest rate risk:

Exposure to interest rate risk	Asset values as at 31.03.2023	Impact of 1% decrease	Impact of 1% increase
	£000	£000	£000
Cash and cash equivalents	56,555	55,990	57,121
Fixed interest bonds	142,087	140,666	143,508
Total	198,643	196,656	200,629

Exposure to interest rate risk	Asset values as at 31.03.2022	Impact of 1% decrease	Impact of 1% increase
	£000	£000	£000
Cash and cash equivalents	17,722	17,545	17,899
Fixed interest bonds	142,337	140,914	143,760
Total	160,059	158,458	161,660

20 *Contingent Assets*

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

21 *Events After the Reporting Period*

Due to the global economic impact of the measures put in place by the UK Government in March 2022 in response to the conflict in Ukraine, there has been increased volatility in equity and credit markets. The Fund has limited investments in Russia with a book cost of £1,713k as at March 2023. This is less than 0.2% of the total fund value. There remains considerable uncertainty on the financial impact in future years. On this basis, and due to the low value of investments in Russia, this matter has been treated as a non-adjusting event.

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Outturn 2021/22 £'000	Estimate 2022/23 £'000	Draft Actuals for 2022/23 £'000
INCOME			
Employee Contributions	8,171	7,559	8,900
Employer Contributions			
- Normal	24,530	23,380	26,446
- Past-deficit	478	-	478
Transfer Values Receivable	4,567	3,192	5,596
Investment Income			
- Re-invested	11,057	13,028	13,673
- Distributed to Fund	14,169	13,032	15,409
Total Income	62,972	60,191	70,502
EXPENDITURE			
Pensions	30,053	30,207	31,584
Lump Sums	4,425	5,121	5,006
Transfer Values Paid	2,541	5,603	4,079
Administration			
- Manager fees	5,186	4,181	5,253
- Other (incl. pooling costs)	1,606	672	1,754
Refund of Contributions	271	71	153
Total Expenditure	44,082	45,855	47,829
Surplus/Deficit (-)	18,890	14,336	22,673

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

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

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

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

1. EXECUTIVE SUMMARY

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

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

THE FUND'S OBJECTIVE

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

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

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

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

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

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

SOLVENCY AND LONG TERM COST EFFICIENCY

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

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

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

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

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

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

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

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

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

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

ACTUARIAL ASSUMPTIONS

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

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

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

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

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

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

EMPLOYER ASSET SHARES

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

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

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

FUND POLICIES

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

Covenant assessment and monitoring

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

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

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

Admitting employers to the Fund

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

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

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

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

Termination policy for employers exiting the Fund

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

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

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

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

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

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

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

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

2. INTRODUCTION

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

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

BENEFITS

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

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

EMPLOYER CONTRIBUTIONS

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

PRIMARY RATE

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

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

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

SECONDARY RATE

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

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

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

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

3. PURPOSE OF FSS IN POLICY TERMS

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

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

The purpose of this Funding Strategy Statement is therefore:

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

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

4. AIMS AND PURPOSE OF THE FUND

The aims of the fund are to:

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

The purpose of the fund is to:

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

5. RESPONSIBILITIES OF THE KEY PARTIES

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

Key parties to the FSS:

The **Administering Authority** should:

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

The **Individual Employer** should:

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

The **Fund Actuary** should:

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

6. SOLVENCY FUNDING TARGET

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

SOLVENCY AND LONG TERM EFFICIENCY

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

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

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

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

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

Underlying these assumptions are the following two tenets:

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

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

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

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

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

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

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

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

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

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

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

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

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

EMPLOYERS EXITING THE FUND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

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

FUNDING FOR DEATH BENEFITS

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

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

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

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

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

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

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

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

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

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

The current strategy is:

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

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

8. IDENTIFICATION OF RISKS AND COUNTER-MEASURES

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

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

FINANCIAL

The financial risks are as follows:

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

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

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

DEMOGRAPHIC

The demographic risks are as follows:

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

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

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

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

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

INSURANCE OF CERTAIN BENEFITS

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

REGULATORY

The key regulatory risks are as follows:

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

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

GOVERNANCE

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

Governance risks are as follows:

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

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

LOCAL PENSION BOARD

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

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

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

9. MONITORING AND REVIEW

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

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

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

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

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

COST MANAGEMENT AND THE MCCLOUD JUDGMENT

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

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

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

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

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

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

INTRODUCTION

This Statement has been prepared by the London Borough of Bromley (the Administering Authority) to set out the Investment Strategy for the London Borough of Bromley Pension Fund (the Fund), in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the guidance paper issued by the Department for Communities and Local Government.

The ISS has been prepared by the Fund's Pensions and Investment Committee (the Committee) having taken advice from Mercers, the Fund's Actuary and the Fund's investment advisor and with such persons as the Committee considers appropriate.

The Regulations provide that an administering authority must prepare, maintain and publish a written statement of the principles governing its decisions about investments. The Regulations specify six issues that must be addressed in the statement. The following sections of this statement address these issues in turn. In addition, an appendix is included which sets out the Committees Investment Beliefs. This is in line with the recommendations in the Stewardship Code 2020 produced by the Financial Reporting Council (FRC). It is the intention that these beliefs act as broad guidance for the Committee's actions going forward.

This statement will be approved by the Committee in February 2020 and will be kept under review and revised from time to time, but at least every three years.

(a) Investing fund money in a wide variety of investments

The Fund's main long-term objective is to ensure that it has sufficient assets to meet its pension liabilities as they fall due. In order to achieve this, the Fund invests its assets with the aim of maximising investment returns whilst maintaining an acceptable risk level.

The Fund's asset allocation strategy of 58% Global Equities; 13% Fixed Income; 20% Multi Asset Income Funds, 4% UK Property and 5% International Property Funds aims to ensure that the Fund's assets are broadly diversified in terms of geography, foreign exchange, sector and asset class exposure to help reduce overall portfolio risk and volatility, whilst aiming to deliver or exceed the target returns on its investments and the cashflow requirements of the Fund. The aim is to periodically rebalance back to the allocations listed above in order to control investment risk as markets move.

The main purpose of the investment in each asset class is as follows:

- Global Equity – long term growth
- Fixed interest – diversification and risk reduction, particularly during periods of market stress
- Multi Asset Income – Income generation, diversification, value protection
- UK/International Property - Income generation, diversification

Through this balance of investment's the Committee are seeking to generate the required level of investment returns to secure the funding of the Fund into the future and control the level of risk taken through diversification whilst generating the required level of cash flow to fund current benefit payments.

The Committee has appointed two asset managers within each of the four asset classes listed above in order to reduce the risk that a single manager underperforms to an extent that it undermines the Funds investment strategy. The Fund employs five managers overall to reduce concentration risk. These asset managers are all authorised to invest in all assets permitted under the Regulations, subject to the provisions of their benchmarks and certain minor restrictions. Details of the Investment Guidelines and Restrictions are included below.

The committee keeps the Fund's investments under review and revised from time to time, but at least every three years, any changes are made only after considering advice from a suitably qualified person or people as required by legislation.

(b) The suitability of particular investments and types of investments

The funding strategy adopted for the 2019 valuation is based on an assumption of real investment return of 2.0% per annum above CPI inflation for past service benefits and 2.25% above inflation for future service benefits. The Fund is over 100% funded on a technical provisions basis and the investment strategy is set to maintain this level and thereby maintain as stable as possible a level of employer contributions going forward.

As the trustees of the Fund, the Committee, recognise the changing nature of the cash flow and liquidity requirements of the Fund as it matures, with cash outflows from the payment of benefits exceeding cash inflows from employer and employee contributions leading to a cash-negative position which requires investment income to meet its liabilities.

A key driver of the asset allocation strategy and investment manager selection is to ensure that the Fund is able to meet its future cashflow and liquidity requirements whilst aiming to meet or exceed the target return and maintain an appropriate balance of risk and volatility. The effectiveness of this strategy in achieving these aims is a major component of the Committees responsibilities and will be kept under review.

The Fund believes in investing over the long-term and will use its influence as a large institutional investor to encourage responsible long-term behaviour in financial markets where possible.

The Committee receive a report from their independent investment adviser at each meeting which reviews the performance of each asset class and manager as well as the Funds current asset allocation to ensure that the returns, risk and volatility are appropriately managed and in line with their overall investment strategy.

(c) The approach to risk, including the ways in which risks are to be assessed and managed

At the last full valuation of the Fund (as at 31st March 2019), the actuary valued the fund's assets at 110% of the fund's liabilities (91% in the previous valuation as at 31st March 2016). She determined employers' contribution rates with a view to maintaining the current solvency of the Fund and covering future pension accruals going forward, taking into account the investment strategy as set out in this statement.

The Committee is aware that the Fund must take investment risk to generate future returns and achieve its funding objective over the long-term. The Committee believes that a high allocation to growth assets, particularly Equities, is justified as part of this long-term strategy.

The principle Funding risks are as follows:

- Financial – The risk that the Fund fails to grow in line with the developing cost of meeting its liabilities in the long-term.
- Demographics – The risk that demographic factors change in a way which increases the Fund's liabilities.
- Systemic – The possibility of an interlinked financial failure which affects the majority of the Funds' assets simultaneously.

The Committee measures and monitors financial risk through setting the Strategic Asset Allocation in relation to the Fund's actuarial data including future liability accrual and cashflow requirements. It then monitors the variation of the actual asset allocation around this Strategic Benchmark, rebalancing as necessary.

The principle investment risks are as follows:

- Concentration/credit – The risk of underperformance or default from a significant allocation to any single investment or type of investment resulting in difficulties maintaining the funding level
- Illiquidity – The risk that the Fund has insufficient liquid assets to meet its cash flow requirements.
- Currency risk – The risk that the currencies of the Fund's assets underperform relative to Sterling (the currency of the Fund's liabilities).
- Manager underperformance – The failure by the investment managers to achieve their benchmark rate of investment return.
- Environmental, Social and Governance (ESG) – The risk that the relationship between shareholders in a financial asset and stakeholders in society in general alters in a way which reduces the Fund's ability to generate the required investment returns.

The Committee manages these investment risks through maintaining a diverse portfolio invested in multiple asset classes and through multiple fund managers. The Fund rebalances across managers and asset classes when appropriate. This diversification brings currency risk as not all the assets the Fund invest in are Sterling based. The Committee is aware of this risk and will discuss hedging overseas currencies back to Sterling periodically but at least every three years in line with the Actuarial review and ensuing reappraisal of the Strategic Asset Allocation Benchmark.

The Fund's actuary updates the Fund's cashflow requirements every three years as part of their triennial review and this sets the necessary generation of income from the Fund's assets. Whilst the Fund still covers all cashflow requirements from contributions and asset income it is appropriate to invest a proportion of the Fund's assets in less liquid strategies if there is a belief that this will aid the balance between risk and return.

The Committee believes in working with asset managers over the long-term and monitors them on this basis. To date the selected managers have added significantly to the Fund's assets by outperforming their benchmarks over the long-term. The diversification by manager and long-term nature of the relationship with the asset managers reduces the probability of a single asset manager underperforming to the extent that it affects the Fund's ability to meet its liabilities in a significant way.

The management of ESG risks is covered later in this report.

Other key risks that could have an adverse impact on the achievement of the Fund's funding strategy and target funding levels are analysed in the Fund's Funding Strategy Statement, these include governance and regulatory risks

(d) The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund formally became a member of the London Collective Investment Vehicle (London CIV) in October 2016 as part of the Government's pooling agenda. The London CIV is now operational and meets the Governments 2015 investment reform and criteria guidance. The London CIV is in the process of opening a range of sub-funds covering liquid and less liquid asset classes. The Committee is aware that the Ministry for Housing, Communities and Local Government is currently engaged in a further consultation regarding the mechanisms for pooling and the Fund will take any updated recommendations and advice into account when it is issued.

The London CIV is a company limited by shares. The London Local Authorities are the only shareholders in the London CIV. A Shareholder Agreement sets out that major decisions, including approval of budget, objectives and business plan are reserved to Shareholders in General Meetings. All shareholders meet twice a year and a Shareholders Committee representing all shareholders meets quarterly. In addition, there are two shareholder nominated directors on the Board of the London CIV as well as a treasury (Section 151) officer as observer. In addition, the Fund would enter into a service level agreement as assets are transferred into the London CIV and monitor the performance of the London CIV against this agreement.

As at 31/03/2023 the Fund had not transferred any assets to the London CIV but the Committee continued to review the availability of funds within the London CIV and their acceptability and fit with the Fund's requirements. A decision was considered and made in the financial year that the Baillie Gifford fund would be transferred in-specie to the London CIV. This transfer took place in May 2023. This action was deemed most cost effective and the London CIV was able to meet the Funds requirements in terms of governance; performance; risk and access to the required asset classes. Assets can be retained outside of the London CIV pool, for example if it is not deemed cost effective in terms of management fees and transition costs to transfer them, or if the CIV does not have a suitable sub-fund which meets the requirements of the Funds asset allocation and investment strategy. The transfer of assets to the London CIV is kept under review by the Committee.

(e) How social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;

The authority has been advised that its primary responsibility is to secure the best returns for the Fund in the interests of its council taxpayers and its members. As a Pension Fund. with pension obligations stretching out many years into the future, the Fund, by its nature, is a long-term investor. The Committee recognises that investing responsibly over the long-term must include the consideration of not just financial data but also of the impact of the Fund's investments in terms of the environment, effects on broader society and corporate governance (ESG issues). The Fund has appointed asset managers who invest for the long-term thereby explicitly consider ESG issues as an integral part of their research effort when investing the Fund's assets. The Fund expects to vote, where practical, on all Annual and Extraordinary general meetings held by companies in which it is invested. It has delegated this responsibility to its asset managers and monitors their fulfilment of this obligation.

The Fund will not seek to exclude investments that are not barred by UK law in the belief that engagement is preferable to divestment. Whilst there is obvious risk in investing in companies with material ESG issues, there can be long-term financial gain where such companies are actively attempting to manage and improve these risks and as such the Fund adopts a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance future returns to investors and believes this is more compatible with its fiduciary responsibility and more supportive of its long term investment goals. If a company fails to engage on these issues with the Fund's asset managers or if the asset managers have reason to believe a company is not being honest and open about its intended actions in this area, divestment on a stock by stock basis remains an option.

The Fund will work with like-minded investors to promote best practice in the long-term stewardship of investments.

(f) The exercise of the rights (including voting rights) attaching to the investments

The investment managers have been authorised to exercise voting rights on behalf of the Fund unless specifically instructed to vote in a particular way on any individual resolution by the Committee. In exercising those rights, they will have regard to best practice as set out in the Stewardship Code 2020 produced by the Financial Reporting Council. They have been instructed to report back to the Committee every quarter on any material divergence from the recommendations of the Combined Code by companies in which the Fund is invested and on action taken by them in response to the divergence. They have also been instructed to report to the Committee periodically on their corporate governance activities generally, including their dialogue with companies' management to encourage sound social, environmental and ethical practices in their activities.

The Committee will issue instructions on individual matters only in exceptional circumstances, when asked for instructions by a manager or when a specific resolution is brought to their attention. With regard to other rights such as the taking up of rights issues, this is left for the investment managers to decide in the light of their assessment of market conditions at the time.

INVESTMENT GUIDELINES AND RESTRICTIONS

General

Investment is permitted in all classes of assets, subject to the limits imposed by the Regulations on the proportion of the fund which may be invested in certain investments and certain other restrictions imposed by the authority. In addition, the investment managers do not use certain investments as a matter of policy.

All references to percentages in this appendix are to percentages of the total value of all existing investments in the fund before making the investment which is subject to the limit. The limits only apply at the time the investment is made.

Limits imposed by the Regulations

All investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(d): 5%

Other restrictions imposed by the authority

- Cash held at custodian's bank is not to exceed £2.5m for each individual fund manager, with any excess placed on the money market with the main clearing banks or placed in institutional cash funds approved by the authority
- No sub-underwriting
- Certain limits on use of futures and options are recorded in the relevant investment management agreements and fund prospectuses

Asset Allocation

The current investment strategy comprises the following strategic asset allocations:

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

The Fund managers have been set the following targets/benchmarks:

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

Statement of Investment Beliefs

The Committee believes that

- It is important that funding related aspects and, in particular, funding level and cash flow profile feed into investment strategy decisions. Given this, actuarial and investment matters, most notably setting investment strategy, are looked at in tandem by the Committee.
- The Committee targets a strong funding level to provide some buffer to the risk of future employer contribution increases. This enables the Committee to adopt a long term investment horizon, and is thereby prepared to accept short term volatility or illiquidity, in order to achieve higher investment returns. In this context, the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. The Committee is therefore comfortable that the Fund maintains a significant allocation to equities in order to support the affordability of contributions.
- Strategic asset allocation is a key determinant of investment risk and return, and thus is typically more important than manager or stock selection. In addition, the Committee believes that periodic rebalancing of asset class weightings back to their strategic can add value over the long term.
- Risk can be mitigated through the diversification of the portfolio, by selecting a variety of both asset classes and managers. A balance needs to be struck between the need for diversification and keeping a small enough number of mandates to ensure good governance.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for investors. Active management can add value over time but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management may be preferred, but brings some of its own risks. In all cases, managers will be judged on after fees returns.
- Managing fees and costs matter, especially in low-return environments. The Committee believes in considering managers' performance on the basis of returns net of fees/costs and not of fees/costs alone.
- A strong ESG / Responsible Investor policy is required by regulation and should be seen within the context of the Fund's long-term investment and futureproofing its financial security. ESG considerations can help identify superior long-term investments and the Committee requires its managers to include them in their investment processes, provided these considerations do not impact financial returns or risk. The Fund requires managers to report back on them on ESG matters. The Committee believes that a policy of engaging with investee companies to improve their behaviour, rather than exclusion, is more compatible with their fiduciary duty and more supportive of their long term investment goals.
- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability add value to the Fund. The Committee identifies good managers with which to work in partnership, delegates authority to them, and monitors their overall performance, on key matters, regularly.
- The Committee expects to assess the London CIV pool in any future management arrangements of investments on behalf of the Council's fund.
- The Committee also believes that taking independent advice, notably in investment and actuarial matters, which can strengthen governance and add value to the Fund.

LONDON BOROUGH OF BROMLEY PENSION FUND
COMMUNICATIONS POLICY STATEMENT

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, maintain and publish a Communications Policy Statement. This statement sets out the Council's policy concerning communications with members, members' representatives, prospective members and employing authorities.

Prospective Members		**Responsibility**
Employees' Guide to the Local Government Pension Scheme	**Council employees** All new prospective Scheme members are provided with a booklet before an appointment.	Booklet - Liberata. Distribution - Head of HR and Schools.
	Employees of scheduled bodies other than the Council All new prospective Scheme members are provided with a booklet before or on appointment.	Booklet – Liberata. Distribution - Scheduled body.
	Employees of admitted bodies All new prospective Scheme members are provided with a booklet on meeting the body's admission requirements.	Booklet - Liberata. Distribution - Admitted body.
Annual newsletter	All prospective members are issued with the Scheme's annual newsletter, which carries information on joining the Scheme.	Production & distribution – Liberata in partnership with LBB.
Staff Intranet	The staff intranet contains outline information about the Scheme and details of where further information may be obtained.	Head of Human Resources in conjunction with Director of Finance.
National Website	The address of the LGPS website maintained by the Employer's Organisation for Local Government is published in the Scheme booklet, the annual newsletter and various other documents.	www.lgps.org.uk
Members		
Employees' Guide to the LGPS	A booklet is issued on or before appointment. A further copy is available on request.	
Annual Newsletter	An annual newsletter is issued to all active and prospective members covering relevant pension topics within the LGPS. It will also include any material changes or developments in the Scheme.	Production & distribution – Liberata in partnership with LBB.
Annual Benefit Statement	A statement of accrued and prospective benefits as at 31st March each year is sent to the home address of all active members. An explanation of the statement and a note of any material changes or developments in the Scheme accompany this.	Production & distribution - Liberata.

	A statement of the current value of accrued benefits is sent annually to the home address of deferred members where the current address is known. An explanation of the statement and a note of any material changes or developments in the Scheme accompany this.	Production & distribution - Liberata.
Pay Advice to pensioners	A monthly pay advice is sent to Scheme pensioners if a material difference of £10.00.	Production & distribution - Liberata.
Annual pensions increase advice	A statement setting out increases to pensions is sent to pensioners annually in March/April. This is accompanied by a note of any relevant changes to the Scheme and a reminder to the pensioner to inform the Council of any changes in details.	Production & distribution - Liberata.
Staff Intranet	The staff intranet contains outline information about the Scheme and details of where further information may be obtained.	Head of Human Resources in conjunction with Director of Finance.
National website	The address of the LGPS website maintained by the Employer's Organisation for Local Government is published in the Scheme booklet, the annual newsletter and various other documents.	www.lgps.org.uk
Representatives of members		
Scheme booklet, annual newsletter and other literature	Available on request to Liberata.	
Consultative documents	Consultative documents issued by ODPM are distributed to the trades unions, departmental representatives and staff side secretary where relevant.	Head of Human Resources
Employing Authorities		
Procedure Manual	A manual setting out administrative procedures is issued to employing authorities.	Production & maintenance - Liberata.
Report of Actuarial Valuation	A report on the triennial valuation of the pension fund is distributed to employing authorities shortly after completion.	Director of Finance
Consultative documents	Consultative documents issued by ODPM are distributed to employing authorities where relevant.	Director of Finance

APPENDIX A

ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, alternative methods are adopted, which make advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET AND COST OF FUTURE ACCRUAL

Investment return (discount rate) – Solvency Funding Target

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.25% per annum above CPI inflation, i.e. a total discount rate of 3.65% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Investment return (discount rate) – Cost of Future Accrual

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation and a slightly higher expected return from the investment strategy has been assumed. In addition, the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.25% per annum above the long term average assumption for consumer price inflation of 2.4% per annum. This leads to a discount rate of 4.65% per annum.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index.

The overall reduction to RPI inflation at the valuation date is 1.0% per annum. The CPI inflation assumption at the valuation date is 2.4% per annum. This adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any reform of the RPI index as announced by the Chancellor in the March 2020 budget. Any change will then be implemented for all relevant policies in this Funding Strategy Statement.

Salary increases

In relation to benefits earned prior to 1 April 2014, and to allow for any final salary 'underpin' applying to benefits earned after that date, the assumption for real salary increases (salary increases in excess of price inflation) will be 1.5% p.a. over the CPI inflation assumption as described above. This includes allowance for promotional increases and represents the long term salary increase assumption.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. some Guaranteed Minimum Pensions where the LGPS is not currently required to provide full indexation). For members in pensionable employment, their CARE benefits are also indexed by CPI although this can be less than zero i.e. a reduction in benefits, whereas for pension increases this cannot be negative, as pensions cannot be reduced.

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions are based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. A separate mortality assumption has also been adopted for current members who retire on the grounds of ill health. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections and a long term improvement trend of 1.75% per annum.

The mortality before retirement has also been reviewed based on LGPS wide experience.

Commutation

It has been assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement. This is broadly equivalent to the assumption at the 2016 actuarial valuation. The option which members have to commute part of their pension at retirement in return for an additional lump sum is based on a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the proportions married/civil partnership assumption, rates of ill-health retirement (for some employers) and withdrawal from active service assumption have been retained from the last valuation. No allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.7% of pensionable pay to the contributions required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

EMPLOYER ASSET SHARES

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

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

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

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

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.40% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	3.65% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases	3.90 p.a.
Pension increases/indexation of CARE benefits*	2.40% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.65% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases	3.90% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.

* for those members reaching State Pension Age between 6 April 2016 and 5 April 2021, full CPI increases on Guaranteed Minimum Pensions have been assumed once in payment. Otherwise statutory increases on Guaranteed Minimum Pension will apply e.g. nil on Guaranteed Minimum Pensions accrued prior to 6 April 1988 and in line with CPI (subject to a maximum of 3% p.a.) for Guaranteed Minimum Pensions accrued after 5 April 1988.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

-Post retirement mortality tables

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	96% S3PMA_CMI_2018 [1.75%] 88% S3PFA_M_CMI_2018 [1.75%]
	Dependant	143% S3PMA_CMI_2018 [1.75%] 85% S3DFA_CMI_2018 [1.75%]
	Ill Health	118% S3IMA_CMI_2018 [1.75%] 121% S3IFA_CMI_2018 [1.75%]
	Future Dependant	121% S3PMA_CMI_2018 [1.75%] 105% S3DFA_CMI_2018 [1.75%]
Active	Normal Health	98% S3PMA_CMI_2018 [1.75%] 89% S3PFA_M_CMI_2018 [1.75%]
	Ill Health	115% S3IMA_CMI_2018 [1.75%] 138% S3IFA_CMI_2018 [1.75%]
Deferred	All	123% S3PMA_CMI_2018 [1.75%] 103% S3PFA_M_CMI_2018 [1.75%]
Future Dependant	Dependant	129% S3PMA_CMI_2018 [1.75%] 111% S3DFA_CMI_2018 [1.75%]

-Life expectancies at age 65

Membership Category	**Male Life Expectancy at 65**	**Female Life Expectancy at 65**
Pensioners	22.7	25.1
Actives aged 45 now	24.6	27.1
Deferreds aged 45 now	22.9	26.0

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B

EMPLOYER DEFICIT RECOVERY PLANS

For certain employers, as the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will either be expressed as £s amounts (flat or increasing year on year) or as a percentage of pay, as deemed appropriate by the Administering Authority, and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement with employers free to select any shorter deficit recovery period and higher contributions if they wish.

The determination of the recovery periods is summarised in the table below:

Category	*Default Deficit Recovery Period*
Fund Employers	Lower of 12 years and period required to target stability of overall contributions.
Open Admitted Bodies	Lower of 12 years and period required to target stability of overall contributions.
Closed Employers	Lower of 12 years and the future working lifetime of the membership
Employers with a limited participation in the Fund	Determined on a case by case basis

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period) taking into account any changes in the primary rate contribution requirements.

For those admitted bodies assessed to be in surplus at the valuation date, at the discretion of the administering authority, the surplus will be removed over a maximum recovery period of 12 years, unless agreed otherwise with the administering authority.

For other employers assessed to be in surplus at the valuation date, unless agreed otherwise with the administering authority, the surplus will be retained to act as a margin against the impact on past service liabilities of the McCloud judgment, and also as a margin against investment risk and other potential adverse experience over 2020/23. In such cases the employer will pay Primary Contributions only to the Fund over 2020/23.

Other factors affecting the Employer Deficit Recovery Plans
As part of the process of agreeing funding plans with individual employers, the Administering Authority may consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for such organisations for the three years 2020/23. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and the receipt of appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the ongoing interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, will also consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C

ADMISSION AND TERMINATION POLICY

This document details the London Borough of Bromley Pension Fund's (LBBPF) policy on the methodology for assessment of ongoing contribution requirements and termination payments in the event of the cessation of an employer's participation in the Fund. This document also covers LBBPF's policy on admissions into the Fund and sets out the considerations for current and former admission bodies. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

A list of all current employing bodies participating in the LBBPF is kept as a live document and will be updated by the Administering Authority as bodies are admitted to or leave the LBBPF.

Please see the glossary for an explanation of the terms used throughout this Appendix.

ENTRY TO THE FUND

MANDATORY SCHEME EMPLOYERS

Certain employing bodies are required to join the scheme under the Regulations. These bodies include tax raising bodies, those funded by central government (academies and colleges) and universities (reliant on non-government income). Academies also fall under this category.

DESIGNATING BODIES

Designating bodies are permitted to join the scheme if they pass a resolution to this effect. Designating bodies, other than connected entities, are not required under the Regulations to provide a guarantee. These bodies usually have tax raising powers and include Parish and Town Councils.

ADMISSION BODIES

An admitted body is an employer which, if it satisfies certain regulatory criteria, can apply to participate in the Fund. If its application is accepted by the Administering Authority, it will then have an "admission agreement". In accordance with the Regulations, the admission agreement sets out the conditions of participation of the admitted body including which employees (or categories of employees) are eligible to be members of the Fund.

Admitted bodies can join the Fund if:

- They provide a service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies);
- They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but the one common element is that they are "not for profit" organisations (formerly known as Community Admission Bodies).

In general, admitted bodies may only join the Fund if they are guaranteed by a scheme employer. However, there may be exceptional circumstances whereby, subject to the agreement of the Administering Authority, an admitted body joins the Fund with an alternative form of guarantee. When the agreement or service provision ceases, the Fund's policy is that in all cases it will look to recover any outstanding deficit from the outgoing body unless appropriate instruction is received from the outsourcing employer or guaranteeing employer, in which case the assets and liabilities of the admission body will in revert to the outsourcing scheme employer or guaranteeing employer.

CONNECTED ENTITIES

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer.

Although connected entities are “Designating Bodies” under the Regulations, they have similar characteristics to admitted bodies (in that there is an “outsourcing employer”). However, the Regulations do not strictly require such bodies to have a guarantee from a scheme employer.
To limit the risk to the Fund, the Fund will require that the scheme employer provides a guarantee for their connected entity, in order that the ongoing funding basis will be applied to value the liabilities.

RISK ASSESSMENTS

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation’s funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

ADMITTED BODIES PROVIDING A SERVICE

Generally Admitted Bodies providing a service will have a suitable bond or guarantor that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the LBBPF. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the LBBPF it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the LBBPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the LBBPF the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions

PRE-FUNDING FOR TERMINATION

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy, a notional investment strategy will be assumed as a match to the liabilities. In particular, the employing body's notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

EXITING THE FUND

Termination of an employer's participation

When an employer's participation in the Fund comes to its end or is prematurely terminated for any reason (e.g. a contract with a local authority comes to an end or the employer chooses to voluntarily cease participation), employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund either as deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

Where the Fund obtains advance notice that an employer's participation is coming to an end, the Regulations enable the Fund to commission a funding assessment leading to a revised contribution certificate which is designed to eliminate, as far as possible, any surplus or deficit by the cessation date.

Whether or not an interim contribution adjustment has been initiated once participation in the Fund has ceased, the employer becomes an exiting employer under the Regulations and the Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a revision of the rates and adjustment certificate showing any contributions due from the admission body.

When an employer exits the Fund, as an alternative to requiring an immediate payment in full, the Regulations give power to the Fund to set a repayment plan to recover the outstanding debt over a period at the sole discretion of the Administering Authority. Whether this will be permitted will depend on the affordability of the repayments and financial strength of the exiting employer. Once any such repayment plan is set the payments would not be reviewed for changes in the funding position due to market or demographic factors.

The Fund's policy for termination payment plans is as follows:

- The default position is for exit payments and exit credits to be paid immediately in full with the relevant parties.
- At the discretion of the Administering Authority, instalment plans over a defined period will only be agreed when there are issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt.
- Any costs associated with the exit valuation will be paid by the employer by either increasing the exit payment or reducing the exit credit by the appropriate amount. In the case of an employer where the exit debit/credit is the responsibility of the original employer through a risk sharing agreement the costs will be charged directly to the employer unless the original employer directs otherwise.

In the event that unfunded liabilities arise that cannot be recovered from the employing body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

BASIS OF TERMINATION

The LBBPF's policy is that a termination assessment will be made based on a minimum risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

Details of the minimum risk funding basis are shown below.

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the LBBPF's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the LBBPF otherwise. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit on closure. In these circumstances no termination payment will be required from the outgoing employing body itself, as the deficit would be recovered via the successor body's own deficit recovery plan.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases, no termination assessment is required as there will no longer be any orphan liabilities in the LBBPF. Therefore, a separate assessment of the assets to be transferred will be required.

IMPLEMENTATION

Admission bodies participating by virtue of a contractual arrangement
For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit under the default policy. In some instances an exit debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No payment of an exit credit will be payable unless representation is made as set out below.

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

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

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

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

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

As the guarantor will absorb the residual assets and liabilities under the default policy above, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility, then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious minimum risk basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs, the exiting employer would then be treated as if it had no guarantor as per the policy below.

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

Non contract based admission bodies with a guarantor in the Fund

The approach for these will be the same as for contract based admission bodies above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities. Indeed, it may be that Fund is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

Admission bodies with no guarantor in the Fund

These are the cases where the residual liabilities would be orphaned within Fund. It is possible that a bond would be in place. The termination calculation would be on the more cautious “minimum risk” basis.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The policy for such employers will be:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

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

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

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

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

Connected Entities
In the event of cessation, the connected entity will be required to meet any outstanding liabilities valued in line with the approach outlined above. In the event there is a shortfall, the assets and liabilities will revert to the Fund as a whole (i.e. all current active employers).
In the event that a scheme employer provides a guarantee for their connected entity, the assets and liabilities will revert in totality to that scheme employer on termination, including any unrecovered deficit.

RELEVANT REGULATIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED BY THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018)

Regulation 64 sets out special circumstances where revised actuarial valuations and certificates must be obtained including Regulation 64 (2) where an admission agreement ceases to have effect, the Administering Authority who made it must obtain:

- an actuarial valuation as at the date it ceases the liabilities in respect of current and former employees of the admission body which is a party to that admission agreement ("the outgoing admission body");

- a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the exit payment due from the exiting body or exit credit payable to the exiting body. Where it is not possible for any reason to obtain revised contributions from the exiting body, or from an insurer or any person providing an indemnity or bond on behalf of the body, the Administering Authority may obtain a further revision of any rates and adjustment certificate for the Pension Fund, showing:
  a) in the case where the exiting body falls within paragraph 1(d) of Part 3 of Schedule 2 the revised contributions due from the body which is the related employer in relation to that admission body; and

  b) in any other case, the revised contributions due from each employing authority who contributes to the Fund.

If the Administering Authority becomes aware or is of the opinion of a scheme employer becoming an exiting employer, Regulation 64 (4) provides that it may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion:

- the contribution at the primary rate should be adjusted; or

- any prior secondary rate adjusted should be increased or reduced, with a view to providing that assets equivalent to the exit payment that will fall due from the Scheme employer are provided to the Fund by the likely exit date or, where the scheme employer is unable to meet the liability by that date, over such period of time thereafter as the Administering Authority considers reasonable.

Minimum Risk Termination basis
The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2019) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Least risk assumptions	***31 March 2019***
Discount Rate	1.5% p.a.
CPI price inflation	2.4% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

All demographic assumptions will be the same as those adopted for the 2019 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the long term rate of improvement in mortality rates to 2% p.a. from 1.75% p.a. as used in the 2019 valuation for ongoing funding and contribution purposes. This assumption will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.

In addition, since the valuation date, it has been announced that RPI inflation is likely to be reformed with the reform potentially meaning the index is closer to the CPIH inflation measure. This would need to be reflected when deriving an updated market estimate of CPI inflation. For example when assessing a termination position (at February 2020) we will adjust the market RPI inflation to arrive at the CPI inflation assumption by deducting 0.7% per annum as opposed to the 1.0% per annum at the valuation date when assessing an employer's termination position. This adjustment will be kept under review as more details emerge on the reform of RPI.

APPENDIX D

COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least annually, unless the Administering Authority determines a more frequent review period will be necessary in the circumstances e.g. bi-annually, quarterly etc.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

- Parental Guarantee and/or Indemnifying Bond
- Transfer to a more prudent actuarial basis (e.g. the termination basis)
- Shortened recovery periods and increased cash contributions
- Managed exit strategies
- Contingent assets and/or other security such as escrow accounts.

APPENDIX E

GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the “LGPS”) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

CPIH: An alternative measure of CPI which includes owner occupiers’ housing costs and Council Tax (which are excluded from CPI).

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit: the extent to which the value of the Fund’s past service liabilities exceeds the value of the Fund’s assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Fund / Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis: an approach where the discount rate used to assess the liabilities is determined based on returns in line with assumed CPI inflation only. This is usually adopted when an employer is exiting the Fund.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution