Bexley Pension Fund Annual Report 2023/24

Contents

Further details on the Local Government Pension Scheme (LGPS) can be found on the website https://www.lppapensions.co.uk.

We welcome feedback on this annual report. Please contact pensions@bexley.gov.uk.

Message from the Chairman of the Pensions Committee

The Pension Fund Committee is responsible for overseeing the governance of the London Borough of Bexley Pension Fund, including investment management and pensions administration. As the Chairman of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2023/2024.

Councillor Howard Jackson, Chairman of the Pension Fund Committee

The Pension Fund's market value was £1.029bn at 31 March 2024, a net increase in the fund value by £62.7m due to a strong equities performance in the final quarter of the year. This is in comparison to the net decrease in Fund value of £86.4m in 2022/23. The Pension Fund Committee continues to monitor the Fund closely at every meeting and challenges the officers, investment advisers and investment managers as necessary to ensure the Fund's investments are being managed effectively.

The Pension Fund was last valued by the Fund's actuary, Mercer, at the 31 March 2022 triennial actuarial valuation. The actuary reported that the Fund had sufficient assets to cover 114% of the liabilities.

The Fund continues to work closely with its LGPS pool, the London Collective Investment Vehicle (LCIV), to achieve efficiencies through pooling of Pension Fund assets. The Fund continues to benefit from the lower fees negotiated in active equity and alternative investment managers. The Fund's proportion of assets pooled with LCIV, including passive holdings, are at approximately 69.4%.

The Pension Fund is committed to being a responsible investor and has made great strides, investing Impact Equities (Global Environment Fund – Ninety One) in the year, with ongoing conversations taking place around Impact Property.

I would like to thank all those involved in the governance of the London Borough of Bexley Pension Fund during the year during 2023/24, especially the members of the Pension Fund Committee and the Local Pension Board, as well as officers and support staff.

Introduction

The London Borough of Bexley Pension Fund is part of the national Local Government Pension Scheme (LGPS), administered by London Borough of Bexley Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the London Borough of Bexley Council and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. Contribution rates for employees and employers are set by the Fund's actuary at the actuarial valuation which is carried out every three years. The most recent revaluation, carried out as at 31 March 2022, was used to set contribution rates with effect from 1 April 2023 through to April 2026.

A new LGPS scheme was introduced with effect from 1st April 2014. One of the main changes is that a scheme member's pension is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Everything built up in the Scheme before 1st April 2014 is protected so benefits up to that date will be based on the scheme member's final year's pay.

Benefits payable from the Fund are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- A pension based on career average earnings (revalued in line with the Consumer Price Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016. The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

Detailed guidance on the accounting and disclosure requirements for LGPS financial statements and annual report is published by CIPFA annually and can be found online. This guidance includes a Code disclosure checklist, listed by must, should and may, which the London Borough of Bexley has applied in the preparation of the annual report and accounts.

This annual report comprises the following sections:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** detailing the Fund's investment strategy, arrangements, and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.
- The **funding position** of the Fund with a statement from the Fund's actuary.
- **The Fund's annual accounts** for the year ended 31 March 2024
- **Asset Pools** and their governance structure including costs
- **List of contacts** and a glossary of some of the more technical terms
- **Appendices** setting out the various regulatory policy statements of the Fund:
    - Governance Compliance Statement
    - Investment Strategy Statement
    - Communication Policy
    - Funding Strategy Statement

Governance Arrangements

Pension Fund Committee

London Borough of Bexley Council has delegated responsibility for pension matters to the Pension Fund Committee (the Committee). The Committee obtains and considers advice from the Tri-Borough Director of Pensions and Treasury, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

Terms of Reference for the Pension Fund Committee are set out in Appendix 1 as part of the Governance Compliance Statement.

The Committee is made up of eleven elected Members of the Council (eight from the majority party and three minority party representative) who meet at least four times a year. All members have full voting rights.

The Pension Fund Committee membership during 2023/24 was as follows:

- Councillor Howard Jackson (Chairman)
- Councillor Rags Sandhu (Vice-Chairman)
- Councillor Patrick Adams
- Councillor Zainab Asunramu
- Councillor Frazer Brooks
- Councillor Baljeet Gill
- Councillor Bola Carew
- Councillor Andrew Curtois
- Councillor Nicola Taylor
- Councillor Steven Hall
- Councillor Cameron Smith

Councillors may be contacted at 2 Watling Street, Bexleyheath, DA6 7AT

Local Pension Board

The Pension Fund Committee established a local Pension Board in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to provide oversight of the Fund Committee.

The Board comprises of 3 members – 1 from the Council representing employers and 2 employee representatives. The Chairman is elected by the Board.

The Board membership during 2023/24 was as follows:

- Geoff Smithson (Chairman – member rep)

- Councillor Peter Reader (Vice-chairman – employer rep)
- Oliver Wooller (member rep)

Conflicts of Interest

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members sets out how any conflicts of interests should be addressed. A copy is available from Legal and Democratic Services at 2 Watling Street, Bexleyheath, DA6 7AT

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council. The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

The Code also requires elected members to register disclosable pecuniary interests.

Governance Compliance Statement

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

The Fund's Governance Compliance statement can be found in Section 9.

Scheme Management and Advisors

Pension Scheme - PSTR 00329946RE LGPS England and Wales (Split Scheme)
Tax References - PSTR 00329108RA LGPS London Borough of Bexley Fund (Sub Scheme)

External Parties		
Investment Adviser	Redington Ltd	
Investment Managers	**Equities (Active)** London LGPS CIV Ltd - Newton London LGPS CIV Ltd – RBC Ninety-One **Index-linked GILTS (Passive)** Blackrock **Infrastructure** London LGPS CIV Ltd – Stepstone London LGPS CIV Ltd – (Various) **Bonds** London LGPS CIV Ltd - PIMCO	**Fixed Income** Blackrock London LGPS CIV Ltd – PIMCO & CQS **Property** UBS Global Asset Management LaSalle Investment Management London LGPS CIV Ltd - Aviva **Private Equity** Partners Group **Illiquid Credit** M&G
Asset Pool	London Collective Investment Vehicle (LCIV)	
Custodian	Northern Trust	
Banker	Natwest	
Actuary	Mercer Ltd	
Auditor	Ernst and Young LLP	
Legal Adviser	Bexley Legal Services	
Scheme Administrators	Local Pensions Partnership Administration (LPPA)	
AVC Providers	Prudential plc	

Officers		
Director of Finance and Corporate Services	Paul Thorogood Caroline Holland	
Tri-Borough Pensions Team	Phil Triggs Mathew Dawson	Ruby Vuong Sukhdev Singh Billie Emery Julia Stevens Sian Cogley
Pensions and Payroll Officer	Richard Smyth	Erica Taylor

Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee.

A key tool in managing risk is the Fund's risk register which is reviewed by the Pensions Board. The risk register identifies the risks that the Fund is exposed to and assesses the likelihood and impact of each risk along with the control mechanisms in place to manage them. The risks in the register are then scored and rated red, amber or green to highlight those risks with a high likelihood of occurrence and/or a potentially big impact and therefore require closer monitoring.

In order to manage risks a Pension Fund Risk Register is maintained and reviewed quarterly. Risks identified have been reduced through planned actions. The risk objective areas of risk have been updated to reflect the CIPFA risk classifications. The Risk Register is managed by the Tri-Borough Director of Pensions and Treasury.

The key risks identified within the Pension Fund risk register, as updated on 24 June 2024, are:

Objective area at risk	Risk	Risk rating	Mitigating actions
Asset and Investment Risk	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including with Russia and Ukraine and further geopolitical instability in the Middle East.	Red	1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) The London Borough of Bexley Pension Fund can report that as at 31 March 2024, the value of direct investments to Russia or Ukraine within the Pension Fund's asset classes is 0.

Asset and Investment Risk	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2024/25.	Red	1) Review ISS in relation to published best practice (e.g., Responsible Investment Statement) 2) The Fund currently invested in renewable infrastructure and recently invested in a sustainable equity fund. 3) The Fund has produced and continues to review its Responsible Investment Policy 4) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 5) Officers attend training sessions on ESG and TCFD requirements.
Administrative and Communicative Risk	Legislative and Regulatory Changes such as McCloud, Pooling guidance, Fair Deal, Changes to exit credits, Deferred employer status, 4 year valuations, HE/FE status change, TCFD requirements for LGPS, Levelling Up Agenda	Red	1) Officers to horizon scan and to attend Pension Officers Forums, CIPFA events etc to ensure that they are up to date with any legislative or regulatory changes. 2) Bexley to respond where appropriate to Government consultations. Changes in Legislation and Regulation and the impact on the Fund are reported to Pensions Committee. 3) Officers have the relevant experience, skills and knowledge to ensure legislation and regulations are complied with.
Inflation Risk	Due to high CPI inflation levels, increases in future pension payments, which	Red	1) Fund employers continue to monitor own experience.

	could affect future employer contributions aligned with triennial actuarial valuations. However, this risk is now trending downwards, following the decreased CPI levels since the height in October 2022.		2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long-term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). They may have some control over the award of salary increases through pay award negotiations. 4) Pay rises generally remain below inflation. 5) The fund holds investments in GILTs, index-linked property (Inflation Plus fund) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 6) Officers continue to monitor the increases in CPI inflation on an ongoing basis.
Asset and Investment Risk	The fund managers or pooling operators fail to achieve the rate of investment return set out in their mandates	Red	1) Investment manager performance is reviewed on a quarterly basis. 2) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved. 3) Fund's investment advisors report any performance concerns and provide advice on actions the fund should take.

			4) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. 5) Officers and the fund's advisors meet with fund managers on a regular basis to challenge performance issues.
Liability Risk	Scheme members live longer than expected leading to higher-than-expected liabilities. This risk is trending down as life expectancy does not increase at rates expected.	Amber	1) The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 15).

The Funding Strategy Statement (found in the appendices) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

Third Party Risks

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, Officers carry out reconciliations to ensure that information provided by third parties is accurate. Investment managers produce internal control reports annually which the Fund reviews to give assurance that the managers are adequately managing risks within their organisation. The Fund's investment advisor continually reviews the market, activity of the fund managers and will raise concerns such as changes to key members of staff and make recommendations to the Committee.

Financial Performance

The Fund investments asset value increased by £62.7m to £1.029bn as at 31 March 2024 from £956m as at 31 March 2023. This was largely because of strong equities performance in the latter half of the year.

The most recent triennial valuation took place as of 31 March 2022, this covers the three financial years from 2023/24 until end of 2024/25. The funding level during the 2022 valuation was 114%, however, funding levels for different employers vary significantly.

Analytical Review

Fund Account	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Dealings with members					
Contributions	(30,028)	(29,640)	(31,631)	(32,285)	(32,714)
Pensions	35,951	38,866	39,508	41,782	44,568
Net (additions)/withdrawals from dealings with members	5,923	9,226	7,877	9,497	11,568
Management expense	7,670	5,376	6,758	6,543	10,148
Investment Income	(17,231)	(12,903)	(14,133)	(16,761)	(20,486)
(Profit) and losses on disposal of investments and changes in value of investments	27,719	(146,791)	(60,250)	87,147	(64,173)
Net (increase)/decrease in the Fund	**24,081**	**(145,092)**	**(59,748)**	**86,426**	**(62,657)**

Over the five-year period, pensions paid have exceeded the contributions received by £44.1m. This is due to the high inflation environment which has increased the benefits paid, in comparison to the contributions received.

During 2023/24, the net increase in the fund value was £62.7m, compared to the net decrease in 2022/23 of £86.4m. This was due to equities performing strongly in the latter half of the year.

Both officers and the Pension Fund Committee monitor investment performance closely and refer to independent investment advice to ensure the Fund's investments are being managed effectively.

Net Asset Statement	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Investment Assets	831,463	897,652	974,815	925,738	1,012,507
Cash/Temporary Investments	16,272	105,321	76,224	30,512	9,044
Total Investment Assets	**847,735**	**1,002,973**	**1,051,039**	**956,250**	**1,021,551**
Current assets	1,619	10,352	13,238	11,868	9,468
Current Liabilities	(872)	(10,556)	(10,955)	(1,222)	(1,466)
Long Term Liabilities		(9,195)	-	-	-
Total Net Assets available to fund benefits	**848,482**	**993,574**	**1,053,587**	**966,896**	**1,029,533**

The points to note are:

- 36% of pooled investment vehicles comprise of global equity shareholdings, 12.3% in property pooled funds, 9.6% in GILTS, 7.6% in Bonds, 7.9% in Infrastructure, 10.7% in Fixed income, while the remaining is invested in illiquid credit and other alternatives.
- The overall value of assets in the pooled London Collective Investment Vehicle increased by £27.3m (excluding passive BlackRock funds). However, the overall proportion of pooled assets within the portfolio has decreased by 1.5%
- Cash deposits decreased by £8.2m due to capital calls taking place within the alternative mandates as well as redemptions made on Liquid Credit holdings.
- Current assets decreased by £2.4m at 31 March 2024, this was mainly due to the reduction of cash balance in the bank account and sundry debtors.

Further details are given in the Investment Policy and Performance Section.

Analysis of dealings with Scheme Members

Contributions Receivable	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
- Members	(6,375)	(6,144)	(6,409)	(7,013)	(7,427)
- Employers	(19,767)	(17,753)	(21,654)	(21,502)	(20,360)
- Transfers in	(3,886)	(5,743)	(3,480)	(3,532)	(4,927)
Total Income	**(30,028)**	**(29,640)**	**(31,543)**	**(32,047)**	**(32,714)**

Benefits/Expenses	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
- Pensions	28,084	28,720	29,262	30,589	33,794
- Augmented Service	7	7	10	0	2
- Commutation of Pensions and Lump Sum Retirement Benefits	3,875	4,101	5,414	4,821	4,184
- Lump Sum death benefits	1,026	554	750	400	764
- Refunds	126	107	112	33	56
- Individual transfers out to other schemes	2,833	5,376	3,960	5,939	5,768
Total Expenditure	**35,951**	**38,865**	**39,508**	**41,782**	**44,568**
Net Dealings with Members	**5,923**	**9,225**	**7,965**	**9,735**	**12,616**

Income and expenditure is dependent on several factors, some of which are difficult to predict. Transfers in and out are dependent on the numbers of active members joining and leaving the Fund in the year and the value of the assets that relate to them. Contributions are determined by the number of active members in the Fund and, for employee contributions, their salaries. Pensions and other benefits payable are impacted by the age profile of pensioners. Management fees and investment income will vary with investment performance of the Fund.

The unpredictability of some of these factors can lead to significant differences when comparing year on year.

The key variances were due to the following:

- Employer contributions increased between 22/23 and 23/24, reflecting the increased membership and increased level of employer contribution rate for some employers.
- Transfers in increased during the year, reflecting the increased numbers of new starters joining the scheme in comparison to the previous year.
- Transfers out decreased on 23/24 reflecting the lower number of members choosing to transfer their benefits to another employer or remove them under the freedom of choice legislation.
- There was a total increase in 2023/24 in pensions, commutation, and lump sum retirements, reflecting the higher number of people reaching retirement age or taking retirement earlier. Furthermore, this reflects the impact of the high inflationary environment (CPI 10.1%) in September 2022, which impacted the pension payments made in 23/24.

Analysis of Operational Expenses

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Administration				
Employees	(N/A)*	378	271	350
Supplies and services	(N/A)*	209	176	120
	503	**587**	**447**	**470**
Governance and Oversight				
Employees	(N/A)*	356	217	358
Investment advisory services	(N/A)*	115	72	96
Governance and compliance	(N/A)*	29	88	30
External audit	16	43	13	99
Actuarial fees	89	148	206	100

	506	**691**	**596**	683
Investment Management				
Management fees	4,292	4,261	5,042	8,704
Custody and performance measurement fees	41	1,155	370	291
Transaction Costs	34	64	87	0
	4,367	**5,480**	**5,499**	**8,995**
Total	**5,376**	**6,758**	**6,542**	**10,148**

The key variances were due to the following:

- During 2023/24, the administration costs increased by 5%, as a result of higher charges from the administrator as well as inflationary staff related-pay.
- Governance and oversight costs during 2023/24 increased by 35%. This is mainly due to extensive due diligence work provided by our consultants to implement the Investment Strategy, increased inflationary staff pay, as well as an increased in audit fees.
- Investment management costs have increased by 64%. This is due to increased performance, across the portfolio, and higher fees related to assets under management.

*Breakdown at this level not provided in 2020/21 report.

Administration Management Performance

The administration of the Fund is managed by London Borough of Bexley Council and undertaken by Local Pensions Partnership Administration (LPPA) under a contractual arrangement for them to carry out the day-to-day administration of pension records, calculate benefits, provide a website and produce other documentation. Pension payments are made by LPPA. The Fund does not include teachers, fire-fighters and police officers who have separate pension arrangements.

Further information on the performance can be found in the appendices.

Performance Indicators

The administration contract includes a number of performance indicators included to ensure that service to members of the Pension Fund is effective. This membership generates a considerable workload for the fund administrators (LPPA). A breakdown of the cases completed up until end 31st March 2024 and the percentage completed on time are shown in the table below:

Type of Case	SLA Target (Working Days)	Total Processed	Performance 22/23	Total on Time	Target	Difference from Target*
New Starters	10	696	100.0%	696	95.0%	5.0%
Transfer In	10	187	96.3%	180	95.0%	1.3%
Transfer Out	10	433	97.2%	421	95.0%	2.2%
Estimates	10	143	95.8%	137	95.0%	0.8%
Deferred Benefits	15	388	97.2%	377	95.0%	2.2%
Deaths	5	337	97.8%	330	95.0%	2.8%
Retirements (Active)	5	404	93.3%	377	95.0%	-1.7%
Retirements (Deferred)	5	493	96.8%	477	95.0%	1.8%
Refunds	5	342	91.4%	313	95.0%	-3.6%
Correspondence	10	319	98.7%	315	95.0%	3.7%
Aggregation	10	395	98.5%	389	95.0%	3.5%
Other**	Various	929	98.8%	918	95.0%	3.8%

*(-) denotes a decrease against the target

**'Other' covers cases including, but not limited to:

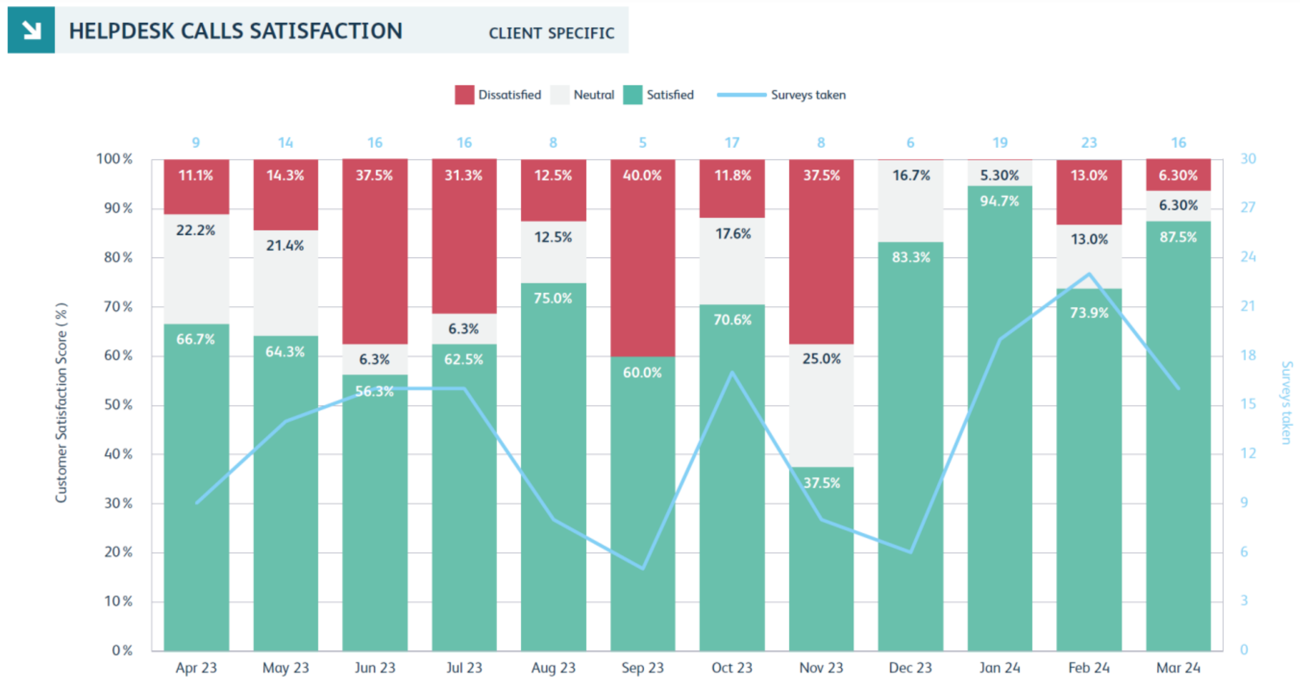
- Benefit Revisions
- Maternity/Paternity Cases
- Ill Health Cases
- Scheme Opt-Out Cases
- My Pension Online Registration queries
- P60 queries
- 50/50 Scheme changes
- APC / AVC queries

LPPA's overall SLA performance has been 97.3% for the year, showing better results since 22/23, when the migration to the new pension administration system occurred. Whilst the performance has been better, the Pension Fund will continue to monitor performance levels and raise any concerns if they are below target.

Complaints Received

The pension administrators occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (see section 4).

Help Desk Satisfaction



Pensions Helpdesk Performance

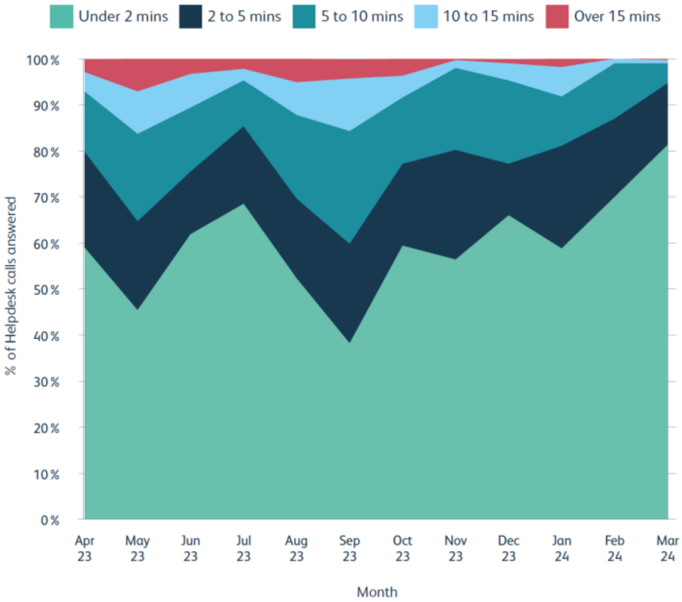
Performance across the Pensions Helpdesk is summarised below. The Helpdesk deals with all call and email enquiries from both members and employers that LPPA provide administration services for.

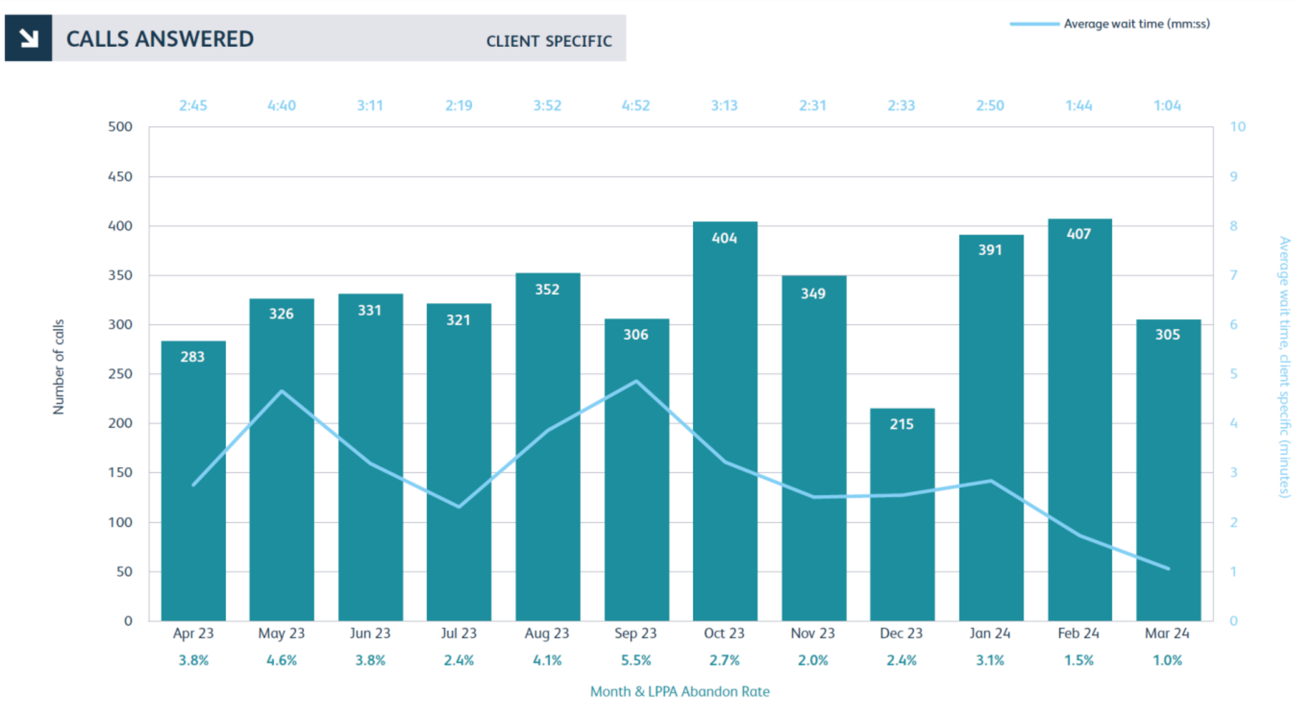
HELPDESK CALLS PERFORMANCE

WAIT TIME RANGE

CLIENT SPECIFIC

	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Apr 23	59.0 %	20.8 %	13.1 %	4.2 %	2.8 %
May 23	45.4 %	19.3 %	19.0 %	9.2 %	7.1 %
Jun 23	61.9 %	13.6 %	13.9 %	7.3 %	3.3 %
Jul 23	68.5 %	16.8 %	10.0 %	2.5 %	2.2 %
Aug 23	52.3 %	17.3 %	18.2 %	7.1 %	5.1 %
Sep 23	38.2 %	21.6 %	24.5 %	11.4 %	4.2 %
Oct 23	59.4 %	17.8 %	14.4 %	4.7 %	3.7 %
Nov 23	56.4 %	23.8 %	17.8 %	1.7 %	0.3 %
Dec 23	66.0 %	11.2 %	18.1 %	3.7 %	0.9 %
Jan 24	58.8 %	22.3 %	10.7 %	6.4 %	1.8 %
Feb 24	70.0 %	17.0 %	12.0 %	1.0 %	0.0 %
Mar 24	81.3 %	13.4 %	4.3 %	0.7 %	0.3 %





A complaints log is also maintained which indicates how matters have been resolved and whether any lessons can be learned from them. In 2023/2024 there were 64 complaints.

Satisfaction surveys and complaints are reported to Bexley and are discussed in service meetings with the Fund.

Scheme Administration Value for Money

The contract with LPPA is carefully monitored to ensure that the services provided are to the expected standards. Monthly and quarterly service meetings are held at which reports on service transactions are reviewed and customer service surveys considered. The LPPA uses the local government pensions software, Universal Pensions Management (UPM), produced by Civica Ltd. The LPPA allocate a total of 2 full time equivalent staff to the Bexley contract, but these come from a wide range of expertise that would not be available locally.

Bexley and LPPA seek to operate in the most efficient manner possible. The MHCLG/DLUHC publish the Government's SF3 statistics covering aspects of pension fund administration. In the latest available statistics, those for 2022/23, the administrative costs per member in Bexley were £26.48 compared to the average of £27.85 across the LGPS funds in the England and Wales. Therefore, the Fund is achieving greater value for money from its administration function than its peers.

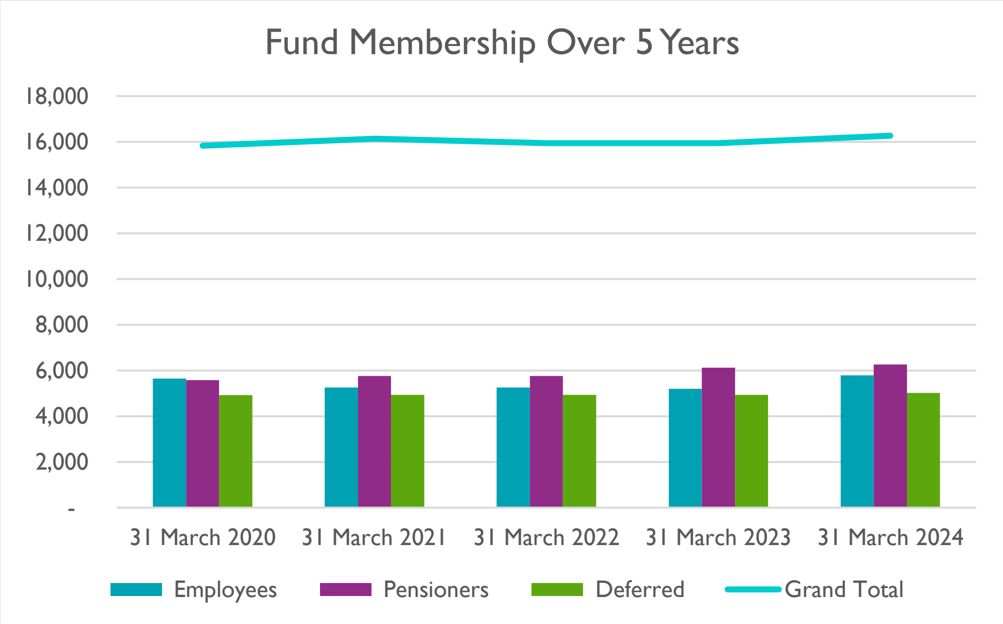
Membership Numbers and Trends

The membership of the Fund as at 31st March 2024 was as follows:

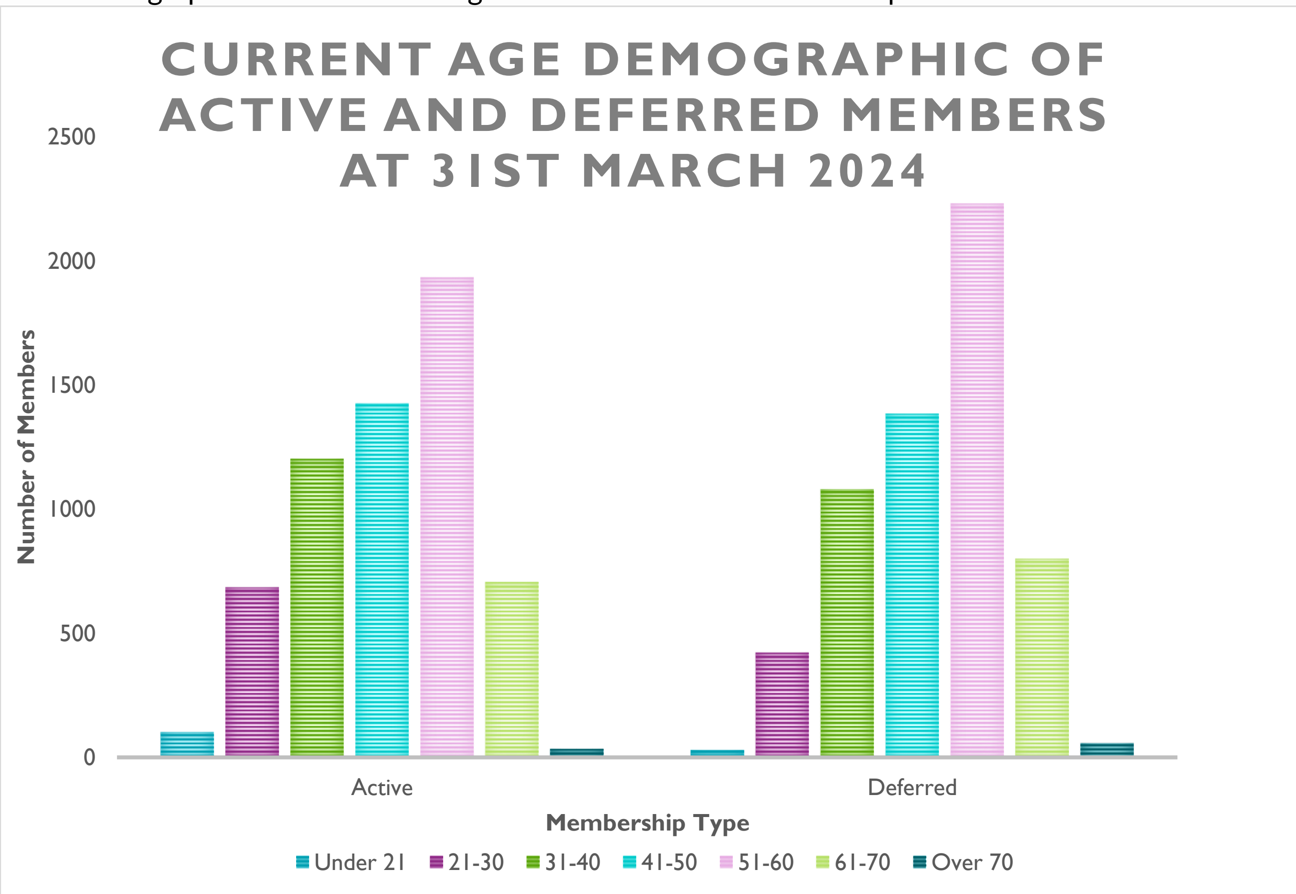
31 March 2023		31 March 2024
	Number of employees in the Fund:	
2,307	London Borough of Bexley	2,498
3,473	Other employers	3,785
5,780	**Total**	**6,283**
	Number of pensioners in the Fund:	
5,018	London Borough of Bexley	5,095
1,247	Other employers	1,356
6,265	**Total**	**6,451**
	Number of deferred pensioners in the Fund:	
3,537	London Borough of Bexley	3,434
1,484	Other employers	1,579
5,021	**Total**	**5,013**

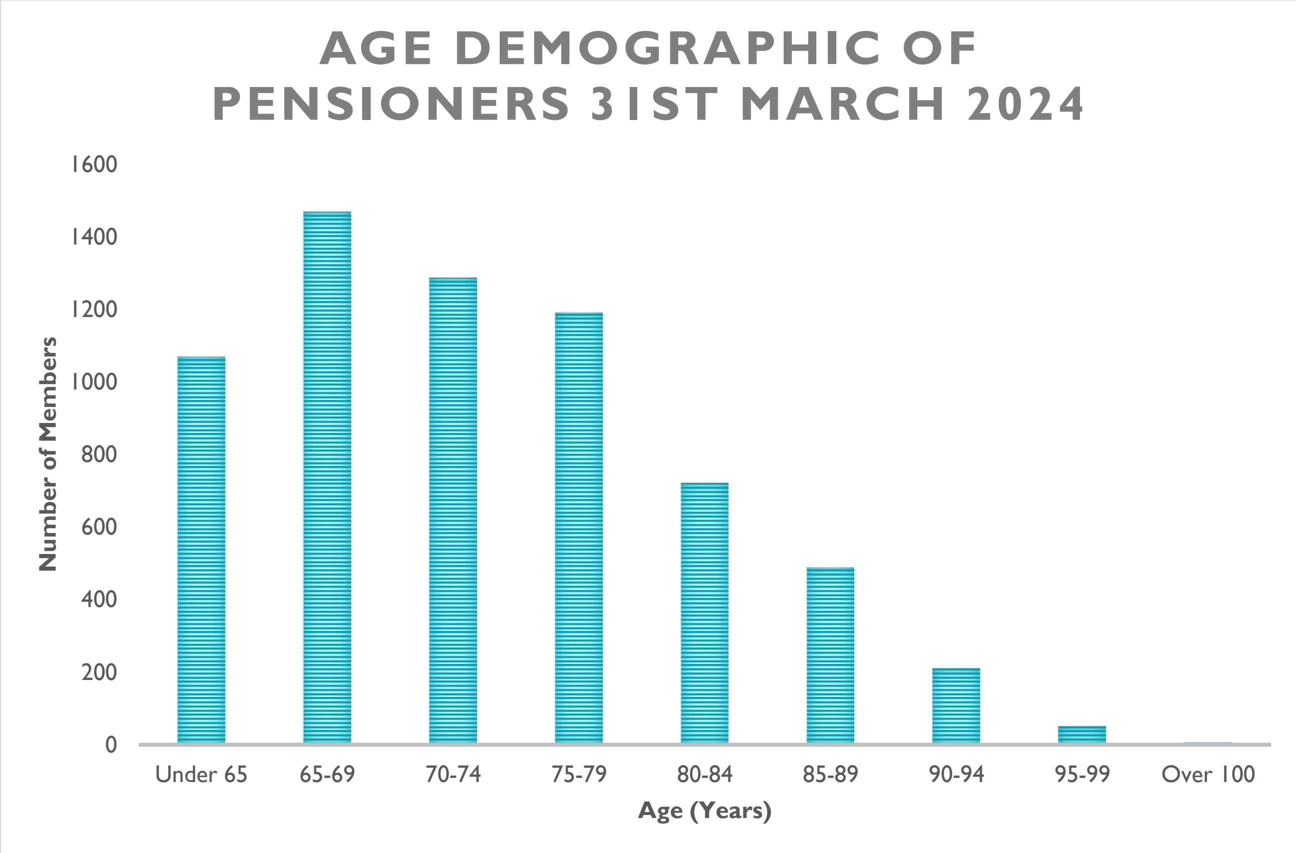
Active contributing member numbers increased by 9% over the course of the year from 2022/23 to 2023/34.

The graph below shows the membership of the Fund over the last five years:



The graph below shows the age distribution of the membership as at 31st March 2024:





The table below shows the number of new pensioners during each of the last three years where an element of additional cost was incurred by the Pension Fund:

	31 March 2021	*31 March 2022*	*31 March 2023*	*31 March 2024*
Redundancy	*14*	*71*	*3*	*0*
Efficiency	*0*	*0*	*0*	*0*
Ill Health	*6*	*4*	*7*	*0*
Compassionate	*0*	*0*	*0*	*0*
Total	***20***	***75***	***10***	***0***

Contributing Employers and Contributions Received

Below is a list of the current active contributing employers and the contributions received for 2023/24 (figures include early retirement and deficit funding contributions). The percentage or pensionable pay contributed by employers is determined on a triennial basis and covered in the Actuarial report. The last report was produced in 2022 and can be found in the appendix.

Administering Authority	Employees Contributions	Employers Contributions	Total Contributions
	£'000	£'000	£'000
London Borough of Bexley Council	(4,059)	(7,843)	(11,902)
Total Contributions from Administering Authority	(4,059)	(7,843)	(11,902)

Scheduled Bodies

The Fund provides pensions not only for employees of London Borough of Bexley Council, but also for the employees of several scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Bodies	Employees Contribution	Employers' Contributions	Total Contributions
	£'000	£'000	£'000
Aspire Academy	(22)	(92)	(115)
Barnehurst Infants School	(16)	(58)	(74)
Barnehurst Junior School	(84)	(227)	(312)
Belmont Academy	(45)	(175)	(219)
Belvedere Infants School	(21)	(74)	(96)
Belvedere Junior School	(23)	(99)	(122)
BETHS	(81)	(282)	(363)
Bexley Co	(41)	(78)	(119)
Bexley Grammar School	(76)	(249)	(325)
Bexleyheath Academy	(44)	(214)	(258)
Blackfen Academy	(81)	(299)	(380)
Brampton School	(32)	(124)	(156)

Burnt Oak Junior School	(16)	(88)	(104)
Bursted Woods School	(42)	(152)	(195)
Castilion Academy	(17)	(65)	(82)
Chatsworth School	(16)	(78)	(93)
Chislehurst & Sidcup Grammar	(58)	(213)	(271)
Christ Church School	(43)	(179)	(222)
Cleeve Meadow School	(36)	(118)	(154)
Cleeve Park School	(93)	(336)	(429)
Cornerstone T	(20)	(71)	(91)
Cygnus Academies Trust	(80)	(248)	(329)
Days Lane School	(50)	(189)	(239)
East Wickham Infants Academy	(52)	(242)	(294)
Eastcote Primary School	(14)	(60)	(74)
Harris Academy Falconwood	(73)	(261)	(333)
Harris Gerrard Academy	(91)	(288)	(378)
Hillsgrove Primary School	(26)	(127)	(153)
Holy Trinity Lamorbey C.E. Primary	(16)	(71)	(87)
Hook Lane School	(39)	(148)	(187)
Hope Community School	(9)	(55)	(64)
Hurst Primary School	(44)	(194)	(238)
Hurstmere School	(60)	(226)	(286)
Jubilee Primary Academy	(19)	(105)	(124)
King Henry Academy	(80)	(269)	(349)
Lessness School	(49)	(192)	(241)
Mayplace School	(47)	(197)	(244)

New Generation Schools Trust	(5)	(18)	(23)
New Horizons Academy	(57)	(357)	(414)
Normandy Primary School	(41)	(161)	(202)
Northwood Academy	(24)	(111)	(134)
Oakwood Academy	(39)	(147)	(186)
Old Bexley C of E Primary Sch	(68)	(266)	(334)
Pelham Primary Academy	(34)	(128)	(162)
Pioneer Academy Central*	(64)	(188)	(252)
Royal Park School	(35)	(148)	(183)
Shenstone Academy	(139)	(640)	(779)
Sherwood Park Primary School	(31)	(129)	(160)
Slade Green Academy	(47)	(197)	(244)
St Catherine's Academy	(67)	(284)	(351)
St Columba's Academy	(66)	(398)	(465)
St Michael's Academy	(14)	(61)	(75)
St Paulinus CofE Primary School	(13)	(60)	(73)
St Peter Chanel	(25)	(85)	(111)
St Thomas More	(23)	(83)	(106)
St Augustine of Canterbury School	(20)	(83)	(103)
The Ignis Academy Trust	(105)	(468)	(574)
The Woodland Academy Trust	(151)	(562)	(713)
Townley Grammar	(77)	(404)	(481)
Trinity Academy	(103)	(328)	(430)
Upland School*	1	4	5
Welling School	(97)	(361)	(458)

Woodside Academy	(82)	(286)	(368)
Total Contributions from Scheduled Bodies	(3,085)	(12,089)	(15,174)

*School is combined with another in reporting

Admitted Bodies

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not for profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

* no active members. Employer contributions relate to funding of past liabilities

**Contributions paid is termination payment. Employer has now exited the Fund.

Admitted Bodies	Employees Contribution	Employers Contributions	Total Contributions
	£'000	£'000	£'000
AJM Healthcare	(4)	(14)	(18)
Avante**	(2)	(11)	(13)
Capita	(1)	(2)	(3)
Cherry Tree Nursery (GB) Ltd	(0)	(1)	(1)
Class Technology Solutions	(1)	(7)	(8)
Cleantec Services Ltd	(9)	(47)	(56)
Countrystyle	(109)	(377)	(486)
Danson Youth Trust	(5)	(23)	(28)
Harrison Catering Service Ltd	(1)	(3)	(3)
Inspire Community Trust	(23)	0	(23)
London & Quadrant**	(2)	(9)	(10)
London Hire	(2)	(10)	(12)
PCS Group Ltd Lessness	(3)	(16)	(19)
Purgo Supply Serv Ltd	(12)	(45)	(58)
Rose Bruford College	(91)	(278)	(369)
Serco*	0	470	470
STEELES PCS LTD	(1)	(3)	(4)
Tivoli	(16)	(52)	(68)
Total Contributions from Admitted Bodies			
Grand Total	**(283)**	**(428)**	**(711)**

Employer Analysis

*This body received an exit credit from the fund; ceased as at 31 March 2024

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding pensions liabilities).

Employer Type	Active	Ceased	Total
Administering Authority	1	0	1
Scheduled Body	60	2*	62
Admitted Body	16	3	19
Total	**77**	**5**	**82**

*School joined with another for reporting purposes

Investment Policy

The Pension Fund Committee sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS). The ISS has been updated following the asset allocation strategy review during 2021 and can be found within section 9 (appendices).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring.

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles". These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- Effective decision making;
- Clear objectives;
- Risk & liabilities;
- Performance Measurement;
- Responsible ownership;
- Transparency and reporting.

For 2021/22, the LGPS (Management and Investment of Funds) Regulations 2016, requires the Fund to publish an Investment Strategy Statement (ISS), which replaces the Statement of Investment Principles.

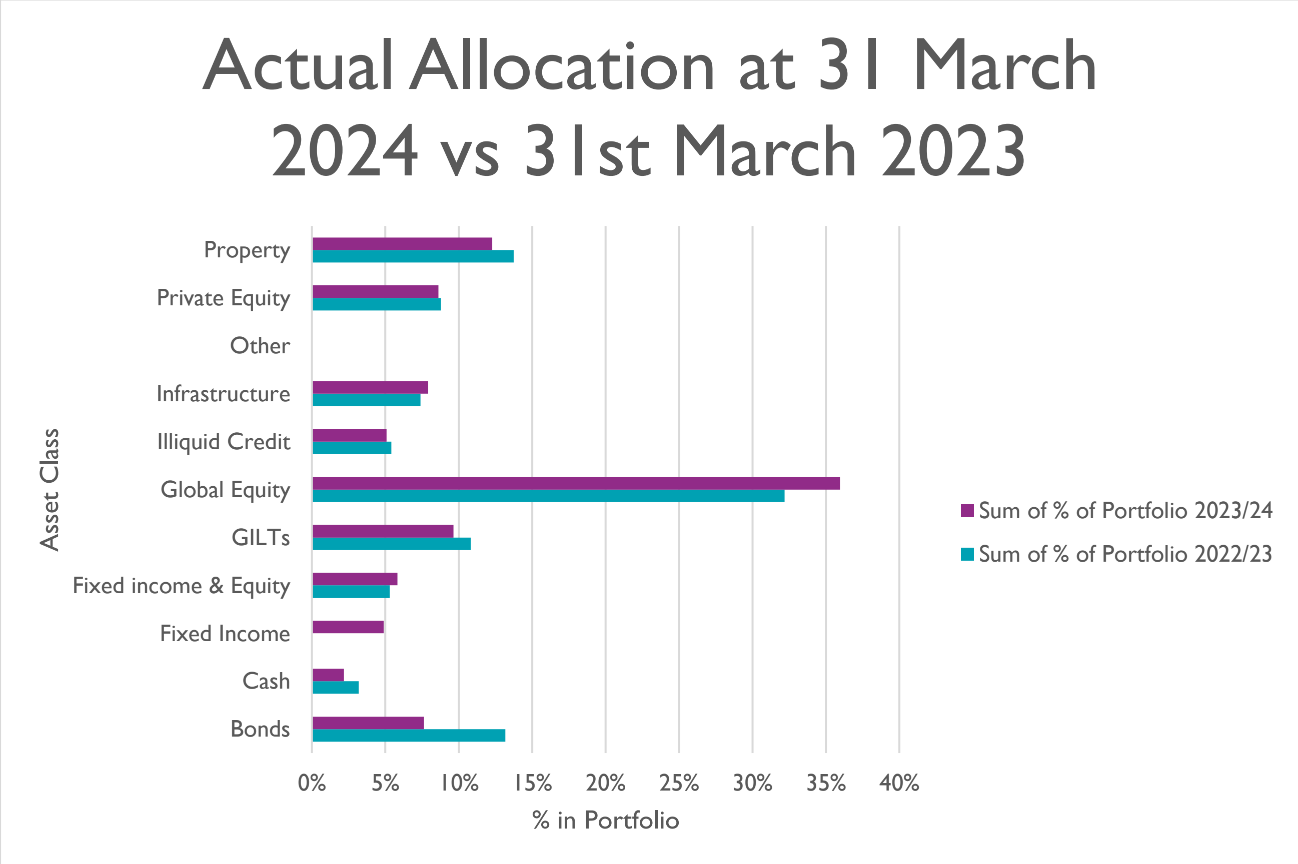
The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments
- The administering authority's assessment of the suitability of particular investments and types of investment
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed
- The administering authority's approach to pooling investments, including the use of collective investment vehicles
- The administering authority's policy on how social, environmental and governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Committee and the Fund's advisers. The allocation effective during the year ended 31 March 2024 was as follows:

	Benchmark %	Target Range %
Global Equities	30	20 - 40
Total Equities	**30**	**20 - 40**
Global Bonds (inc Corporates)	10	5 - 15
UK Government Bonds	15	10 - 15
Multi-Asset Credit	5	0 - 10
Total Bonds	**30**	**20-40**
Property	15	5 - 25
Private Equity	7	0 - 15
Infrastructure	8	0 - 15
Renewable Infrastructure	5	0 - 15
Illiquid Credit	5	0 - 15
Total Alternatives	**40**	**20 - 50**
Total	**100**	**100**



'Other' refers to the shareholding equity held in the pooling company (LCIV)

The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate under which they operate. In order to follow the Myners Principles, fund managers are challenged formally about asset allocation decisions.

Investment portfolios are reviewed at each Committee meeting in discussion with the investment adviser and officers, and fund managers are called to a Committee meeting if there are issues that need to be addressed. Officers meet fund managers regularly and advice is taken from the investment adviser on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource in an effort to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in the ISS.

The asset allocation of the Pension Fund at the start and end of the financial year is set out below. These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pension Fund Committee.

Changes since 22/23

Since 22/23, the fund has carried out two transitions. One, reallocating 5% of the portfolio from Global Equities (LCIV Newton and LCIV Sustainable Exclusion Equity Fund) to the Ninety-One Global Environment Fund. This was successful completed in March 2024. The other, moving 5% of assets from the LCIV Global Bond Fund (PIMCO) to LCIV MAC fund (PIMCO and CQS). This was completed in September 2023.

Fund Value

The Fund value fell during 2022/23 as a result of decreased value fixed income and property asset classes due to various geopolitical events. Between 2022/23 and 2023/24, the fund has had an upturn in value due to the strong performance in the equities.

The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.

Investment Performance

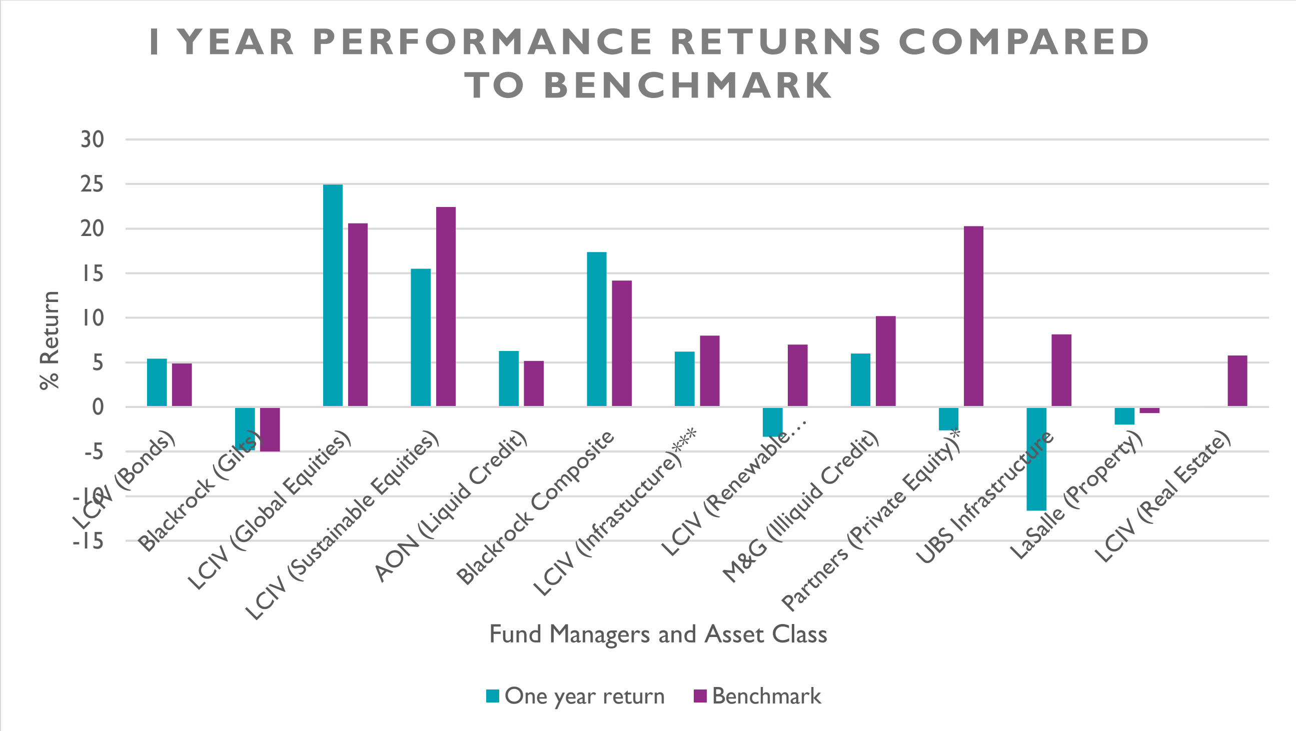
The Fund's overall performance in 2023/24 underperformed its benchmark for the year by 1.25%, as shown below. This was largely as a result of poor performance within the illiquid classes i.e. property. Benchmarks can be viewed in the Investment Strategy Statement in the appendices.

Performance of the Fund is measured against an overall strategic benchmark. Below this, each fund manager is given individual performance targets which are linked to index returns for the assets they manage. Details of these targets can be found in the ISS.

Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by the Fund's independent investment advisor, Redington.

The overall performance of each manager is measured over rolling three and five-year periods, as inevitably there will be short-term fluctuations in performance.

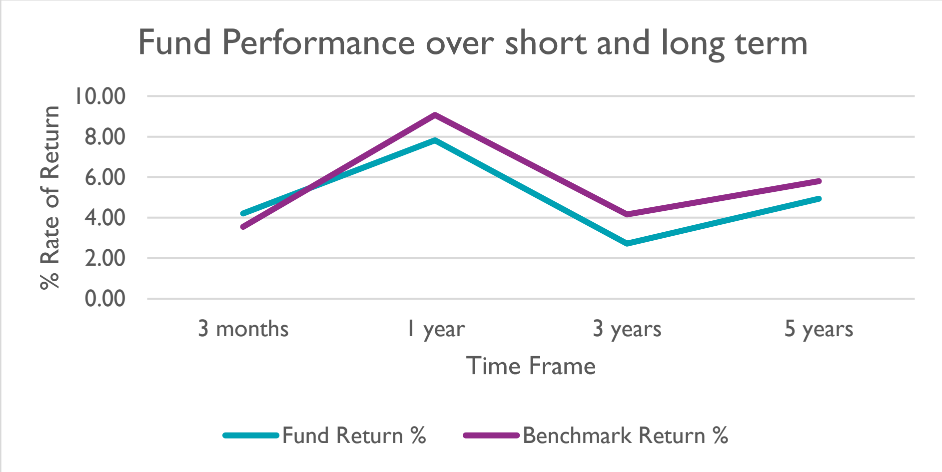
The graph below shows the performance of the various fund managers and their funds over 2023/24, compared to the benchmark returns:



This data has been sourced from Northern Trust's performance reports. There is no annual data on LCIV MAC and Ninety-One Global Environment Fund as they transitioned under a year ago. LCIV Infrastructure and Renewable Infrastructure are still calling for capital and so may skew the results on this graph. Due to the nature of Private Equity, the measurement of performance data is also skewed.

The benchmark total return reflects what would be achieved by the market indices invested in the asset allocation recommended by the asset liability study. The relative return is the difference between the benchmark return and the actual return achieved but the Fund. All investments are seen through a long-term lens and should not be judged on the returns in any one year.

The graph below shows the performance of the Fund and its current investment managers over the 1, 3 and 5 year periods. The Fund has underperformed the benchmark over all three periods.



The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to out-perform the benchmark by a set percentage through active stock selection and asset allocation.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

Annually the Pensions and Investments Research Consultants (PIRC) compile a list of Local Authority pension performance analytics, ranking each Fund according to their performance in the 1-year to 30-year time periods. In the wider LGPS Universe, the average 1-year Fund return to 31 March 2024 was 9.2% compared to a 10-year average return of 7.6% p.a. As at 31 March 2024 the Universe comprised of 63 funds with a total value of £266bn.

The London Borough of Bexley Pension Fund placed in the lower quartile of fund returns for the 1-year period, this was largely due to the fund's relatively high commitment to bonds and low exposure to equities had a negative effect on relative performance this year.

Over the long term, the performance has done well, (placing 31 amongst the other funds). However, in more recent years, it has performed less optimally than its peers which can be contributed to the generall defensive asset allocation than its peers. The defensive allocation has meant that the fund has prioritised low volatility.

In the 30-year period the Fund placed in the median quartile of pension fund performance. The table below shows the LGPS Universe average returns compared to the Fund over the 1-year to 30-year period, along with average LPGS returns by asset class over the same time periods.

LGPS Average Performance

Performance	1 Year	3 Yrs	5 Yrs	10 Yrs	20 Yrs	30 Yrs

	(% p.a.)	(% p.a.)	(% p.a.)	(% p.a.)	(% p.a.)	(% p.a.)
Universe Average	**9.2**	**5.3**	**6.5**	**7.6**	**7.7**	**7.4**
London Borough of Bexley Pension Fund	*7.8*	*2.7*	*4.9*	*7.1*	*7.7*	*7.4*
Total Equity	**16.3**	**7.8**	**9.3**	**9.6**	**9.3**	**8.3**
London Borough of Bexley Pension Fund	*20.8*	*8.4*	*10.2*	*10.6*	*10.1*	*9*
Total Bonds	**4.4**	**-2.5**	**0.1**	**2.9**	**4.5**	**5.5**
London Borough of Bexley Pension Fund	*0.7*	*-5.8*	*-2*	*0.2*	*3.2*	*4.7*
Infrastructure*	**2.7**	**8.9**	**6.7**	**N/A**	**N/A**	**N/A**
London Borough of Bexley Pension Fund	*0.3*	*7.2*	*4.2*	*N/A*	*N/A*	*N/A*
Property**	**-3.2**	**1.7**	**1.4**	**5.3**	**5.2**	**6.8**
London Borough of Bexley Pension Fund	*-1.6*	*-0.5*	*-0.2*	*4.5*	*N/A*	*N/A*

This data has been extracted from the PIRC 2023/24 Local Authority Fund Statistics.

*Data only available for 5 years

Corporate Governance

Responsible Investment and Environmental, Social and Governance Policies

The Pension Fund has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pension Committee.

The Pension Fund recognises that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance (ESG) issues may lead to poor or reduced shareholder returns. This presents a significant responsibility for the Pension Fund Committee (the Committee).

The Fund's policies on environmental, social and governance (ESG) issues and responsible investment can be found within the Investment Strategy Statement (ISS).

The fund is a member of the Local Authority Pension Fund Forum (LAPFF) and has been working towards embedding ESG factors into its investment process. This year, for instance, the fund dedicated itself to investing in the Global Environment Fund led by Ninety One.

Professional Bodies

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally are able to advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Local Authority Pension Fund Forum (LAPFF), it does not subscribe to nor is it a member of UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

Collaborative Ventures

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements. The London Borough of Bexley is a shareholder in London LGPS CIV Limited.

Funding Strategy Statement

The Funding Strategy Statement (Section 9) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

Separation of Responsibilities

The Fund employs a global custodian (Northern Trust), independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments. Northern Trust is responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest Bank. Funds not immediately required to pay benefits are held as interest bearing operational cash with NatWest Bank.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments Certificate following the triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

Stewardship Code

The Pensions Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, the committee expects its managers to have signed up to the UK Stewardship Code and to report regularly on their compliance with the Code and other relevant environmental, social and governance principles.

The Pension Fund Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pension Fund Committee encourages fund managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pension Fund Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The ultimate aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

In addition, the Committee meets most of its managers at least once a year and they are always asked to discuss the activities they undertake in respect of socially responsible investment and how they consider long term environmental, social and governance risks in making specific investment decisions.

Exercise of the Rights (including voting) attaching to Investments

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

The Fund's policies on responsible investment are set out in section 11 of the Fund's ISS. This document also sets out how the Fund demonstrates its compliance with the Investment Governance Principles. Last year, the Fund became a member of the Local Authority Pension Fund Forum. The Fund expects its investment managers to exercise their voting rights and actively engage with the companies in which they invest in accordance with the principles set out in the ISS. The table below summarises the votes cast by investment managers on behalf of the Fund in 2022/23.

Our equity manager proxy voting for 2023/24 is shown in the following table.

Asset Manager	Number of resolutions	For	Against	Other
Newton (LCIV)	970	793	134	43
RBC (LCIV)	620	517	71	32
TOTAL	1590	1310	205	75

Scheme Administration

Service Delivery

The London Borough of Bexley is the administering body for the Fund on behalf of its own employees and for scheduled and admitted bodies. In practice Bexley has contracted with the Local Pensions Partnership Administration (LPPA) for them to carry out the day to day administration of pension records, calculate benefits, provide a website and produce other documentation. Pension payments are made by LPPA. The Fund does not include teachers, fire-fighters and police officers who have separate pension arrangements.

The Fund's website at https://www.lppapensions.co.uk/ is maintained by LPPA under their contract with the Council. This website provides full details and information for employees, pensioners, and employers. It also offers an online pensions calculator and online forms for members and employers to use.

The contract with LPPA is carefully monitored to ensure that the services provided are to the expected standards. Monthly and quarterly service meetings are held at which reports on service transactions are reviewed and customer service surveys considered. The LPPA uses the local government pensions software, UPM, produced by Civica. The LPPA allocate a total of 2 full time equivalent staff to the Bexley contract, but these come from a wide range of expertise that would not be available locally.

The Fund and the LPPA operate to a customer charter which is displayed on the website. If complaints cannot be settled by correspondence, there is an Internal Disputes Resolution Procedure. The full procedure is on the website, but essentially it is a two-stage complaint process. Written complaints are first considered by a person nominated by the organisation that took the decision. If this does not solve the problem a second stage review can be carried out by a person not involved in the first stage decision. Should this again not satisfy the complainant then the case can be taken to the Pensions Ombudsman.

The Scheme is a registered public service scheme under section 1 (1) of schedule 36 of 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.

Communication Policy Statement

The Fund's principal method of communicating with and providing information to members and The Fund's employers is the website at www.lppapensions.co.uk. In addition, employers are receiving a quarterly newsletter updating them on new developments and administrative requirements for the scheme. Members can access information about their benefits and update their personal details via the website. Pensioners receive a personalised letter each April notifying them of their pension for the year ahead and their P60 form for the previous year.

Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, London Borough of Bexley Council to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

Both TPAS and the Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU

Tel: 0800 917 4487

Pension Fund Accounts 2023 to 2024

Statement of Responsibilities for the Pension Fund Accounts

The Council is required to make arrangements for the proper administration of its pension fund affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer in this Council is the Director of Finance and Corporate Services who has the Section 151 Officer's Responsibilities. Also, it is required to secure the economic, efficient and effective use of resources and safeguard its assets. The Council is also required to approve the Pension Fund Accounts.

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

In preparing the Pension Fund Accounts, the Director of Finance and Corporate Services has:

1. Selected suitable accounting policies and applied them consistently.
2. Made judgements and estimates that were reasonable and prudent.
3. Complied with the Code of Practice.

Also, the Director of Finance and Corporate Services has:

1. Kept proper accounting records that were up to date.
2. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of the Director of Finance and Corporate Services

The required financial statements for the Pension Fund appear on the following pages and have been prepared in accordance with the accounting policies set out in 3. Accounting Policies.

The Pension Fund Accounts present a true and fair view of the financial position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2024.

Caroline Holland Date: 27 February 2025

Director of Finance and Corporate Services
I confirm that the 2023/24 Statement of Accounts for the London Borough of Bexley and Bexley Pension Fund were approved by the General Purpose and Audit Committee on 27 February 2025.

Cllr Peter Reader Date: 27 February 2025
Chair of the General Purposes and Audit Committee

Auditor's Report to a LGPS Administering Authority – Report on Pension Fund Financial Statements

Independent Auditor's Report to the Members of London Borough of Bexley

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2024 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Corporate Services with respect to going concern are described in the relevant sections of this report.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2023/24, other than the financial statements and our auditor's report thereon. The Director of Finance and Corporate Services is responsible for the other information contained within the Statement of Accounts 2023/24.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

• we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);

• we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);

• we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);

• we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or

• we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

Responsibility of the Director of Finance and Corporate Services

As explained more fully in the Statement of the Director of Finance and Corporate Services' Responsibilities set out on page 1, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the pension fund 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 2023/24, and for being satisfied that they give a true and fair view. The Director of Finance and Corporate Services is also responsible for such internal control as the Director of Finance and Corporate Services determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Corporate Services is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Director of Finance and Corporate Services.

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

• We understood how the Fund is complying with those frameworks by making enquires of the management. We corroborated this through our reading of the Pensions Committee minutes, General Purposes and Audit Committee minutes, and through the inspection of other information.

• Based on this understanding, we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting any correspondence with the Pensions Regulator and review of minutes.

• We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Based on our risk assessment procedures, we identified the manipulation of journal entries of the investment income to be our fraud risk.

• To address our fraud risk we tested the consistency of the investment income from the independent sources of the custodian and the fund managers to the financial statements.

• In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

• The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Bexley, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Bexley and its members as a body, for our audit work, for this report, or for the opinions we have formed.

E. Jackson
Ernst & Young LLP

Elizabeth Jackson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
28 February 2025

Pension Fund Account

2022/23 £'000		Note	2023/24 £'000
	Dealings with members, employers and others directly involved in the scheme		
(28,515)	Contributions	6	(27,787)
(3,532)	Transfers in from other pension funds	7	(4,927)
(238)	Other Income		-
(32,285)	**Total contributions**		**(32,714)**
35,810	Benefits	8	38,744
5,972	Payments to and on account of leavers	9	5,824
-	Other payments		-
41,782	**Total benefits**		**44,568**
9,497	**Sub-total: Net additions (-) / withdrawals from dealings with members**		**11,854**
6,543	Management Expenses	10	10,148
16,040	**Sub-total: Net additions (-) / withdrawals including fund management expenses**		**22,002**
	Returns on investments		
(16,761)	Investment income	11	(20,486)
87,147	Profit (-) and losses on disposal of investments and changes in value of investments	12a	(64,173)
70,386	**Sub-total: Net return on investments**		**(84,659)**
86,426	**Net increase (-) / decrease in the net assets available for benefits during the year**		**(62,657)**
1,053,322	**Opening Net Assets of the Scheme**		**966,896**
966,896	**Closing Net Assets of the Scheme**		**1,029,553**

Pension Fund Net Assets Statement

2022/23 £'000		Note	2023/24 £'000
925,738	Investment Assets	12	1,012,507*
30,512	Cash Deposit	12	9,044*
956,250	**Total Net Investments**		**1,021,551**
11,868	Current Assets	18	9,468
968,118	**Total Investments and assets**		**1,031,019**
(1)	Long-term liabilities		-
(1,222)	Current Liabilities	19	(1,466)
966,896	**Net assets of the scheme available to fund benefits at the end of the reporting period**		**1,029,553**

*Partly due to reclassification of assets

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme accounting year. The actuarial position of the scheme, which does take into account such obligations, is detailed in Note 17.

Notes to the Financial Statements

1. Introduction to the Fund

The London Borough of Bexley Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS). It is administered by the London Borough of Bexley under the provisions of the Superannuation Act 1972 and the subsequent detailed regulations to provide benefits for employees. These benefits include retirement and spouses' and children's pensions, retirement and death lump-sum grants. All employees who are not eligible to join another public service scheme are eligible for membership of this scheme. Employees of other scheduled and admitted bodies also participate in this scheme.

Further details may be found in the annual report of the Fund, and in the legislation governing the LGPS.

a. General

The Fund is governed by the Public Service Pensions Act 2013. It is administered in accordance with the detailed regulations of:

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

It is a contributory defined benefit pension scheme and operates to provide pension benefits for employees of the London Borough of Bexley and its scheduled and admitted bodies. Teachers are not included as they come within another national pension scheme. The Fund is overseen by the Pensions Committee of the London Borough of Bexley and the Local Pensions Board. Day to day responsibility for the Fund is delegated to the Statutory Section 151 Officer.

b. Membership

Membership of the LGPS is voluntary but employees are automatically enrolled when they are employed. After they start employment, they have the right to opt-out. They can also make their own personal arrangements outside the scheme.

Organisations participating in the Pension Fund include:

- scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund

- admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Numbers of employers and employees in the Fund

31 March 2023		31 March 2024
82	Number of employers with active members	77
	Number of employees in the Fund:	
2,307	London Borough of Bexley	2,498
3,473	Other employers	3,785
5,780	**Total**	**6,283**
	Number of pensioners in the Fund:	
5,018	London Borough of Bexley	5,095
1,247	Other employers	1,356
6,265	**Total**	**6,451**
	Number of deferred pensioners in the Fund:	
3,537	London Borough of Bexley	3,434
1,484	Other employers	1,579
5,021	**Total**	**5,013**

c. Funding

In 2023/24, the Fund was financed by contributions from employers and employees and by income from investments. Employees make a contribution to the Fund at a percentage of their pensionable earnings and emoluments; this ranges from 5.5% to 12.5% depending on the level of their earnings. The employers' contributions are in accordance with the advice of a professionally qualified actuary and have been set so that the Fund will be able to meet the cost of current and estimated future retirement benefits. The most recent valuation took place on 31 March 2022 and shows a funding level of 114% (2019 was 101%). This includes an estimate of the expected increase in liabilities following the McCloud court judgement. Further details on the McCloud court judgement can be found in Note 17. The triennial valuation undertaken as at 31 March 2022 covers the three financial years to 2025/26. Whilst the Fund, as a whole, is fully funded the funding levels for individual employers in the fund varies with some being in a deficit position. The average deficit recovery period is ten years. Currently, Employer contribution rates range from 18.2% to 32.4%, as per the 2022 valuation. Further details on the funding position are contained in Note 17.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

Pension benefits under the LGPS

Benefit type	Service pre-1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 × final pensionable salary.	Each year worked is worth 1/60 × final pensionable salary.

Benefit type	Service pre-1 April 2008	Service post 31 March 2008
Lump-sum	Automatic lump sum of 3 × pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

A range of other benefits is also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

2. Basis of Preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

In carrying out its assessment that this basis is appropriate, made to 31 March 2026, management of the Pension Fund have considered the additional qualitative and quantitative key requirements:

- The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services;
- All employers within the fund are paying contributions as per the rates and adjustment certificate.

No employer has requested to defer their payments within the 2023/24 financial year, or within 2022/23 to date;

- The Pension Fund does not have any external borrowing; and

The Pension Fund has net assets of £1.022bn, which are assets that could be liquidated to pay benefits should the need arise. The make-up of assets is included within note 12 to the accounts and includes

- o Pooled Investments Vehicles £1.012bn
- o Long term investments (equities) £0.150m
- o Cash/Temporary Deposits £9.044m

On this basis, the Pension Fund have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

Conclusion:

Considering the above, there are no material uncertainties that cast significant doubt upon the Pension Funds ability to continue to operate on a going concern basis to 31 March 2026.

3. Accounting Policies

a. Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay
- employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose.

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 and are calculated in accordance with LGPS regulations. The timing of these receipts and payments depends on factors such as confirmation of instructions from members and the administrative processes of the previous/new employer. Transfer values are accounted for on a cash basis as opposed to the accrual basis used for the rest of the accounts.

c. Investment income

i. **Interest income**
Interest income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii. **Dividend income**
Dividend income is accounted for on the date the shares are quoted ex-dividend. Any amounts not received by the end of the financial year are disclosed in the net asset statement as a current financial asset.

iii. **Distributions from pooled funds**
Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the financial year are disclosed in the net asset statement as a current financial asset.

iv. **Movement in the net market value of investments**

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

d. Benefits payable

Pensions and benefits payable include all amounts due as at the end of the financial year; any amounts unpaid show as current liabilities.

e. Voluntary Scheme Pays, Mandatory Scheme Pays and lifetime allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension.

Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

f. Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of 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. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses.

g. 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:

Administrative expenses

All administrative expenses are accounted for on an accruals basis. Costs of the external pension fund administrator and other suppliers are charged directly to the Fund, whereas internal staff, accommodation and other overhead costs are apportioned to the Fund and charged as expenses.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. The fees of the external investment managers are mainly based on the market value of the funds they invest and will increase or decrease with the value of their investments. 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 the investment manager these are shown separately in Note 10a and grossed up to increase the change in the value of investments.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2023/24 £3.76m of fees is based on such estimates (2022/23: £0.53m).

Private Equity Management fees are estimated by taking a portion of the total management fees of the private equity partnership based on the percentage of the Fund holdings with the partnership. In 2023/24 £0.635m of fees is based on such estimates (2022/23 0.323m).

Net assets statement

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 by the Fund. 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 IFRS 13 (See Note 13). For the purposes of disclosing levels of Fair Value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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, overseas investments and purchases and sales outstanding at the end of the reporting period.

j. Cash and cash equivalents

Cash and cash equivalents are represented by the balance on the Fund's bank accounts together with amounts held by the Fund's external managers and invested in Money Market Funds.

k. Financial liabilities

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

l. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's actuary in accordance with IAS 19 and relevant actuarial standards. As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (See Note 17).

m. Additional voluntary contributions

Scheme members can also make arrangements for separate investments into their personal Additional Voluntary Contribution (AVC) accounts with an AVC provider recommended by the Fund. The Fund is only involved in collecting and paying over these amounts on behalf of scheme members and the separately invested amounts are not included in these pension fund accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The AVC provider is Prudential and contributions are also collected for life assurance policies provided by Utmost Life and Pensions (Previously managed by Equitable Life).

n. Prepayment of Employer Contributions

Following the 2022 valuation, no prepayment option has been taken by the Council.

o. Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

Unquoted investments

It is important to recognise the highly subjective nature of determining the fair value of private equity, infrastructure, pooled property, and private credit investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted investments are valued by the investment managers. Private equity and pooled property valuations are based on similar market available evidence as it has been judged that this evidence is comparable to the holdings in the Fund.

The value of unquoted private equities at 31 March 2024 was £87.9m (2022/23: £84m) and unquoted infrastructure at 31 March 2024 was £80.9m (2022/23: £70.7m). The value of pooled property holdings as at 31 March 2024 was £125.3m (2022/23: £131.3m) and illiquid credit at 31 March 2024 was £51.9m (2022/23: £51.7m).

Pension Fund liability

The Fund liability is calculated every three years by the Fund's 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 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the accounts at 31 March 2024 for which there is a significant risk of material adjustment in the following financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund assets. The Fund employs a professional actuary to provide expert advice about the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For example: • a 0.5% p.a. increase in discount rate assumption would reduce the pension liability by £63m. • a 0.25% p.a. reduction in salary inflation would reduce liabilities by £4m, and • a one-year increase in assumed life expectancy would increase the liability by around £22m.
Unquoted investments	The Fund's assets include investments in unquoted assets such as property, infrastructure and private equity on a pooled basis. These assets are valued by investment managers at fair value in accordance with relevant industry standards and guidelines. Managers may use comparable market data, indices and data from third parties, as well as	The total value of unlisted investments in the financial statements is 294.8m (2022/23 £286.1m), as broken down below: • Private equity £87.9m • Infrastructure £81.1m • Property £125.8m • Illiquid Credit £51,9m

Item	Uncertainties	Effect if actual results differ from assumptions
	projected revenue, to determine the fair value of these assets. As such, there is a degree of estimation involved in these valuations.	There is a risk that these investments may be under- or overstated in the accounts.

6. Contributions receivable

By category

2022/23 £'000		2023/24 £'000
7,013	Employees' contributions	7,427
	Employers' contributions:	
18,971	Normal contributions	19,598
-	Special employer contributions	-
2,120	Deficit recovery contributions	722
410	Augmentation Contributions	40
21,502	**Total Employers' contributions:**	**20,360**
28,515	**Total contributions receivable**	**27,787**

By type of employer

2022/23 £'000		2023/24 £'000
13,347	Administering Authority	11,902
13,371	Scheduled bodies	15,174
1,797	Admitted bodies	711
28,515	**Total contributions receivable**	**27,787**

7. Transfers in from other pension funds

2022/23 £'000		2023/24 £'000
3,331	London Borough of Bexley	3,488
192	Scheduled bodies	1,438
8	Admitted bodies	1
3,532	**Total**	**4,927**

All transfers in relate to individual transfers from other schemes as there were no bulk transfers in these periods.

8. Benefits Payable

By category

2022/23 £'000		2023/24 £'000
30,589	Pensions	33,794
0	Augmented Service	2
4,821	Commutation of pensions and lump sum retirement benefits	4,184
400	Lump sum death benefits	764
35,810	**Total**	**38,744**

By authority

2022/23 £'000		2023/24 £'000
29,384	London Borough of Bexley	32,180
2,999	Scheduled bodies	3,336
3,427	Admitted bodies	3,228
35,810	**Total**	**38,744**

9. Payments to and on account of leavers

By category

2022/23 £'000		2023/24 £'000
33	Refunds of contributions	56
5,939	Individual transfers out to other schemes	5,768
5,972	**Total**	**5,824**

By authority

2022/23 £'000		2023/24 £'000
5,352	London Borough of Bexley	4,505
535	Scheduled bodies	1,212

2022/23 £'000		2023/24 £'000
85	Admitted bodies	107
5,972	**Total**	**5,824**

There were no bulk transfers in 2023/24

10. Management expenses

2022/23 £'000		2023/24 £'000
447	Administrative costs	470
5,499	Investment management expenses	8,995
596	Oversight and governance costs	683
6,543	**Total**	10,148

10 (a) Investment Management expenses

2022/23 £'000		2023/24 £'000
5,042	Management fees	8,704
370	Custody and performance measurement fees	291
87	Transaction costs	-
5,499	**Total**	8,995

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (See Note 12a).

The LCIV has negotiated a performance-related fee element with its global equity sub-fund manager Newton. An estimated performance fee of £0.249m was paid during 2023/24 in relation to the Partners Private Equity fund.

11. Investment income

2022/23 £'000		2023/24 £'000
-	Income from Equities	-
11,725	Income from Pooled Investments - unit trusts and other managed funds	15,469
321	Private Equity Income	406
3,804	Pooled Property Investments	3,561
912	Interest on cash/temporary deposits	1,050
16,761	**Total**	**20,486**

12. Investments

31 March 2023 £'000		31 March 2024 £'000
150	Long term investments: Equities	150
925,588	Investment assets: Pooled investment vehicles	1,012,151
30,512	Cash/temporary investments	9,044
-	Investment income due	206
956,250	**Total investment assets**	**1,021,551**

12 (a) Reconciliation of movements in investments

Movements in investments 2023/24

	Value at 31 March 2023	Purchases during the year	Sales during the year	Change in market value	Value at 31 March 2024
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equities	150	0	0	0	150
Pooled investment vehicles (LCIV)	523,110	61,411	(96,279)	62,199	550,441
Pooled investment vehicles (non-LCIV)*	301,349	87,443	(28,362)	4,901	365,332
Pooled Property investment	101,129	4,801	(5,597)	(3,955)	96,378
Total	**925,738**	**153,655**	**(130,238)**	**63,145**	**1,012,301**
Other investment balance: Cash/temporary investments	30,512			1,028	9,045
Investment income due					206
Net Investment Asset	**956,250**			**64,173**	**1,021,551**
Current Net Assets/(Liabilities)					
Net Asset	**956,250**			**64,173**	**1,021,551**

*This is includes Private Equity and Liquid credit in comparison to 22/23 where it was separated.

Movements in investments 2022/23

	Value at 31 March 2022 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value £'000	Value at 31 March 2023 £'000
Equities	150	0	0	0	150
Pooled investment vehicles (LCIV)	531,116	187,560	(166,498)	(29,071)	523,100
Pooled investment vehicles (non-LCIV)	263,359	1,590	(6,231)	(41,412)	217,306
Pooled Property investment	112,171	11,643	(6,838)	(15,847)	101,129
Private Equity	68,018	24,020	(8,737)	742	84,043
Total	**974,814**	**224,813**	**(188,304)**	**(85,587)**	**925,738**
Other investment balance: Cash/temporary investments	76,224			(1,559)	30,512
Investment income due	-				
Net Investment Asset	**1,051,039**			**(87,147)**	**956,250**
Current Net Assets/(Liabilities)	-				
Net Asset	**1,051,039**			**(87,147)**	**956,250**

12 (b) Analysis of investments

31 March 2023 £'000		31 March 2024 £'000
	Equities:	
150	UK unquoted	150
150	**Total equities**	**150**
	Pooled investment vehicles:	
131,304	Managed funds – UK property unquoted	125,315
103,429	Managed funds - UK GILTS	98,376
50,695	Managed funds - Overseas Equities & Bonds	119,735
95,572	Managed funds – Overseas limited liability partnership unquoted	95,332
51,653	Illiquid Credit	51,889
	London Collective Investment Vehicle (LCIV) Pooled Sub-Funds - Global Unquoted:	
307,696	Global Equity Fund	320,291
126,037	Global Bond Fund	77,882
59,202	Infrastructure Fund	73,519
-	Multi-Asset Credit	49,813
925,588	**Total pooled investment vehicles**	**1,012,151**
30,512	Cash/temporary investments	9,044
-	Investment income due	206
30,512	**Total other**	**9,250**
956,250	**Total investment assets**	**1,021,551**

12 (c) Investments analysed by fund manager

31 March 2023 £'000			31 March 2024 £'000	
£'000	%		£'000	%
150	0.0%	LCIV - Shareholding	150	0.0%
162,082	16.9%	LCIV –Newton Global Equity Fund	176,841	17.3%
145,614	15.2%	LCIV – Sustainable Equity Exclusion	143,450	14.0%
36,832	3.9%	LCIV – Stepstone Infrastructure Fund	45,196	4.4%
22,370	2.3%	LCIV – Renewable Infrastructure Fund	28,322	2.8%
126,037	13.2%	LCIV – PIMCO Global Bond Fund	77,882	7.6%
30,175	3.2%	LCIV – Inflation Plus Fund	28,937	2.8%
-	0.0%	LCIV – Multi-Asset Credit Fund	49,813	4.9%
523,260	**54.7%**	**LCIV Sub total (London Collective Investment Vehicle)**	**550,591**	**53.9%**
103,429	10.8%	BlackRock - Index linked gilt fund / corporate bond fund	98,376	9.6%
-	0.0%	Ninety-One - Global Environment Equities Fund	47,023	4.6%
50,695	5.3%	BlackRock Composite Index Fund	59,495	5.8%
51,653	5.4%	M&G – Illiquid Credit	51,889	5.1%
101,129	10.6%	La Salle	96,378	9.4%
84,043	8.8%	Partners Group	87,923	8.6%
27,740	2.9%	AON Liquid Credit	13,217	1.3%
11,528	1.2%	UBS infrastructure Fund	7,409	0.7%
2,452	0.3%	Cash Held at Custodian (Northern Trust)	8,721	0.9%
324	0.0%	Cash Held at Fund Managers (in transit)	324	0.0%
-	0.0%	Money Market Funds	0	0.0%
-	0.0%	Investment Income Due	206	0.0%
956,250	**100.0%**	**Total investments**	**1,021,551**	**100.0%**

All fund managers operating the pooled investment vehicles are registered in the UK.

The managed funds overseas unquoted limited liability partnerships are investments in funds of private equity funds, infrastructure, property, and illiquid credit funds.

The LCIV unit trusts are unquoted, however, all investments within the Global Equity, Sustainable Equity, Global Bond and LCIV MAC sub-funds are quoted.

The following investments represent more than 5% of the net assets of the scheme in 2023/24

Asset Class / Security Name	Manager	Value at 31 March 2024 £'000	Value at 31 March 2024 % of inv assets
Global Equity Fund	Newton	176,841.33	17.3%
Global Equity Fund	RBC	143,449.64	14.0%
Global Bond Fund	Pimco	77,881.50	7.6%
Index linked gilt fund / corporate bond fund	Blackrock	98,375.73	9.6%
Property	LaSalle	96,378.19	9.4%
Private Equity	Partners	87,923.08	8.6%
M&G – Illiquid Credit	M&G	51,888.73	5.1%
Blackrock Composite	Blackrock	59,495.04	5.8%

The following investments represent more than 5% of the net assets of the scheme in 2022/23

Asset Class / Security Name	Manager	Value at 31 March 2023 £'000	Value at 31 March 2023 % of inv assets
Global Equity Fund	Newton	162,082.17	16.9%
Global Equity Fund	RBC	145,613.86	15.2%
Global Bond Fund	Pimco	126,036.87	13.2%
Index linked gilt fund / corporate bond fund	Blackrock	103,429.21	10.8%
Property	LaSalle	101,128.88	10.6%
Private Equity	Partners	84,043.41	8.8%
M&G – Illiquid Credit	M&G	51,653.27	5.4%
Blackrock Composite	lackrock	50,695.12	5.3%

13. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Basis of the valuation of each class of investment asset

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the financial year.	Not required	Not required
Unquoted bonds funds	Level 2	Average of broker prices.	Evaluated price feeds	Not required
Pooled LCIV – ACS*	Level 2	Quoted investments are valued at mid-market value as at close of business on the last working day of the relevant period Unquoted investments or if a quotation is not available at the time of valuation, the fair value shall be estimated on the basis of the probable realisation value of the investment. Collective investment schemes are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the relevant period.	Evaluated Price Feeds	Not required
Pooled investments – overseas unit trusts and property funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis	Significant changes in rental growth, vacancy levels or the discounted rate could affect valuations as could more general changes to market prices.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Unquoted private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines.	EBITDA multiple Revenue multiple Discount for lack of marketability. Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Unquoted Infrastructure Managed Funds	Level 3	The Fair Value of the investments has been determined using valuation techniques appropriate to each investment. These techniques include discounted cash flow analysis and comparable transaction multiples in accordance with the International Private Equity and Venture Capital Valuation Guidelines.	Significant unobservable inputs and observable inflation	
Pooled LCIV – EUUT**	Level 3	The Fair Value of the investments has been determined using valuation techniques appropriate to each investment. These techniques include discounted cash flow analysis and comparable transaction multiples.	Significant unobservable inputs and observable inflation.	

* The term ACS refers to Authorised Contractual Scheme

** The term EUUT refers to Exempt Unauthorised Unit Trust

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with investment managers and independent advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

Impact on closing value of investments 31 March 2024

Investments	Assessed valuation range (+/-)	Value at 31/03/2024 £'000	Value on increase £'000	Value on decrease £'000
Private Equity	5%	87,923	92,319	83,527
UBS Infrastructure Fund	3%	7,409	7,594	7,224
LCIV Renewable Infrastructure Fund	15%	28,322	32,571	24,074
LCIV Infrastructure Fund	15%	45,196	51,976	38,417
LCIV Aviva Inflation Plus	10%	28,937	31,830	26,043

Investments	Assessed valuation range (+/-)	Value at 31/03/2024 £'000	Value on increase £'000	Value on decrease £'000
La Salle Pooled Investment Property	10%	96,378	106,016	86,740
M&G Illiquid Credit	4%	51,889	54,025	51,653
Total		**346,054**	**376,331**	**315,778**

a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified at this level comprise quoted equities, quoted fixed securities, quoted index-linked securities and quoted unit trusts.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available. This may be 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 those techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Analysis 2023/24

Values at 31 March 2024	Quoted market price Level 1 £'000	Using Observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at Fair Value through profit and loss	-	666,097	346,204	1,012,301
Net investment assets	**-**	**666,097**	**346,204**	**1,012,301**

*Note that this figure does not contain any cash held at custodian or fund managers.

Analysis 2022/23

Values at 31 March 2023	Quoted market price Level 1 £’000	Using Observable inputs Level 2 £’000	With significant unobservable inputs Level 3 £’000	Total £’000
Financial assets at Fair Value through profit and loss	-	667,251	286,228	953,478
Net investment assets	**-**	**667,251**	**286,228**	**953,478**

*The M&G fund (c.£52m) has been identified at overall Level 3 and figures have been adjusted in the 23/24 accounts

Reconciliation of Fair Value Measurements within Level 3

2023/24	Market Value 01/04/23 £'000	Transfer into level 3 £'000	Transfer into level 3 £'000	Purchases during the year and derivative movements £'000	Sales during the year and derivative receipts £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market Value 31/03/2024 £'000
London CIV Share Capital	150	0	0	0	0	0	0	150
UBS Infrastructure Fund	11,528	0	0	0	(2,821)	(1,214)	(84)	7,409
LCIV Infrastructure Fund	36,832	0	0	6,722	(733)	2,375	0	45,196
LCIV Renewable Infrastructure Fund	22,370	0	0	6,812	(550)	(311)	0	28,322
LCIV Aviva Inflation Plus	30,175	0	0	0	(585)	(653)	0	28,937
Private equity	84,043	0	0	13,591	(10,040)	3,929	(3,601)	87,923
La Salle Pooled Investment Property	101,129	0	0	4,801	(5,597)	(5,292)	1,337	96,378
M&G illiquid Credit	51,653	0	0	1,112	(482)	(394)	0	51,889
Total	**337,880**	**0**	**0**	**33,038**	**(20,807)**	**(1,560)**	**(2,348)**	**346,204**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

14. Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading.

Classification of financial instruments

	2022/23					2023/24
Fair Value through profit and loss £'000	**Assets at amortised cost £'000**	**Financial liabilities at amortised cost £'000**		**Fair Value through profit and loss £'000**	**Assets at amortised cost £'000**	**Financial liabilities at amortised cost £'000**
150			**Financial Assets:** Equities	150		
326,789			Pooled investment vehicles (non bond)	350,117		
523,110			Pooled investment vehicles (LCIV)	550,441		
103,429			Pooled investment vehicles (bond)	111,593		
	11,796		Cash		15,050	
			Other investment balances			
	2,843		Debtors		3,668	
		(1,221)	**Financial Liabilities** Creditors			(1,466)
953,478	**14,639**	**(1,221)**	**Total**	**1,012,301**	**18,718**	**(1,466)**

14 (a) Net gains and (losses) on financial instruments

2022/23 £'000	Financial Assets	2023/24 £'000
(87,147)	Fair Value through profit or loss	64,173

15. Nature and Extent of Risks Arising from Financial Instruments

The financial instruments used by the Fund involve a variety of financial risks:

(a) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of movements in market prices. To mitigate market risk, the Committee and its investment /advisors undertake regular monitoring of market conditions and benchmark analysis. Market risk may be sub-divided into interest rate risk, price risk and currency risk, although these are to some extent inter-linked.

- **Interest rates** may vary which will impact on the valuation of fixed interest holdings. The coupon and the duration of such investments will be spread to minimise this risk
- **Currency risk** is the risk that the value of financial instruments will vary with the foreign exchange rate of pounds sterling. This particularly affects the Fund's holdings in overseas equities, private equity and infrastructure. This is mitigated by the spread of investments across different countries and consideration given to hedging the risk where it is thought necessary.
- **Prices** of equity and other investments will vary as the prices on the stock exchange respond to factors specific to particular stocks or factors affecting stock markets as a whole. This is mitigated by having a diverse portfolio of investments across different managers, asset classes, countries and industries.
- **Exposure to Russia and Ukraine** - On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The London Borough of Bexley Pension Fund can report that as at 31 March 2024, the value of investments to Russia or Ukraine within the Pension Fund is immaterial.

The tables below demonstrate the potential change in net assets available following movements in market risk. The percentage used for the movement in price is based on ten-year volatility assumptions for each asset class and is, therefore, more forward-looking and informative.

Potential change in net assets 2024

(i) Interest Rate Risk

Asset Type	Average Duration Years	Market Value 31 March 2024	Value on 1% increase £'m	Value on 1% decrease £'m
Global Bonds (Investment Grade Credit)	5.45	77.88	82.13	73.64
Liquid Credit	0.67	13.22	13.31	13.13
Multi-Asset Credit (Fixed Income)	2.53	49.81	51.07	48.55
UK Bonds (Gilts)	15.21	98.38	113.34	83.41
Private Credit*	2.40	51.89	53.13	50.64
Fixed Income	5.67	13.10	13.85	12.36

*This uses floating interest

ii) Currency Risk

Asset Type	Market Value 31 March 2024	% movement	Movement on Increased Value 2024	Movement on Decreased Value 2024
Global Equities	413.71	6%	436.68	390.74
Private Equity	87.92	6%	92.80	83.04
Infrastructure	80.93	6%	85.42	76.43
Private Credit	51.89	6%	54.77	49.01

iii) Price Risk

Asset Type	Market Value 31 March 2024	% movement	Movement on Increased Value 2024	Movement on Decreased Value 2024
Global Equities	413.71	11%	459.03	368.38
Private Equity	87.92	11%	97.56	78.29
Infrastructure	80.93	4%	84.26	77.60
Property	125.31	7%	134.14	116.49
Bonds and Fixed Income	252.39	11%	279.17	225.61
Private Credit	77.88	4%	81.09	74.68

(b) Credit risk

Credit risk is the risk that counterparties to the financial instruments will fail to pay the amounts due to the Fund, thereby causing financial loss. This may arise if the value of a particular stock falls substantially or if a dividend is not paid out. Investment managers will usually assess this risk when making investments on behalf of the Fund. The market price of investments generally also includes a credit assessment and risk of loss into the valuations. In essence, therefore, the Fund's entire investment portfolio is exposed to some form of credit risk. There is a lower credit risk involved in the Fund's allocation to private equity (8.6% at 31 March 2024 and 8.8 % at 31 March 2023).

The selection of high-quality fund managers, counterparties, brokers, and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The table below details the Fund's cash holding.

Fund's Cash Holding

Balance as at 31 March 2023 £'000		Balance as at 31 March 2024 £'000
	Bank Account:	
9,024	NatWest Account	6,005
9,024	**Total**	**6,005**

Credit risk may also occur if an employing body not supported by the central government does not pay contributions promptly, or defaults on its obligations. To mitigate this risk, the Fund regularly monitors the state of employers in the fund.

(c) Liquidity risk

Liquidity risk is the risk that the Fund might not be able to meet its payment obligations as they fall due (such as pension payments to members). The 2023/24 accounts show that the benefits and administrative expenses paid out exceeded the contributions to the Fund. The balance was met from investment income, cash received from return of capital and accessing liquid assets. The majority of the Fund's investments were sufficiently liquid as to be sold to provide additional cash if required. The Fund operates its own separate bank account, and the liquidity position is monitored on a day-to-day basis. The Fund is also permitted to borrow for up to 90 days if its cash flow is insufficient to meet short term commitments.

The Fund defines liquid assets as those that can be easily converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert to cash. As at 31 March 2024 the value of illiquid assets was £346.1m, which represented 34% of total fund assets (31 March 2023: £337.7m which represented 35% of total fund assets).

16. Funding Arrangements

The Fund's actuary carries out a funding valuation every three years to set employer contribution rates for the following triennial period. The last such valuation took place as of 31 March 2022.

The key elements of the funding policy are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the likelihood of reaching 100% funding on an ongoing basis over the next three valuation periods subject to an acceptable level of downside risk

At the 2022 actuarial valuation the Fund was assessed as 114% funded (101% at the March 2019 valuation). This represented a surplus of £126m (£11m surplus in 2019) at that time. At the 2022 valuation, contribution rates were set for the three-year period ending 31 March 2026 for scheme employers and admitted bodies.

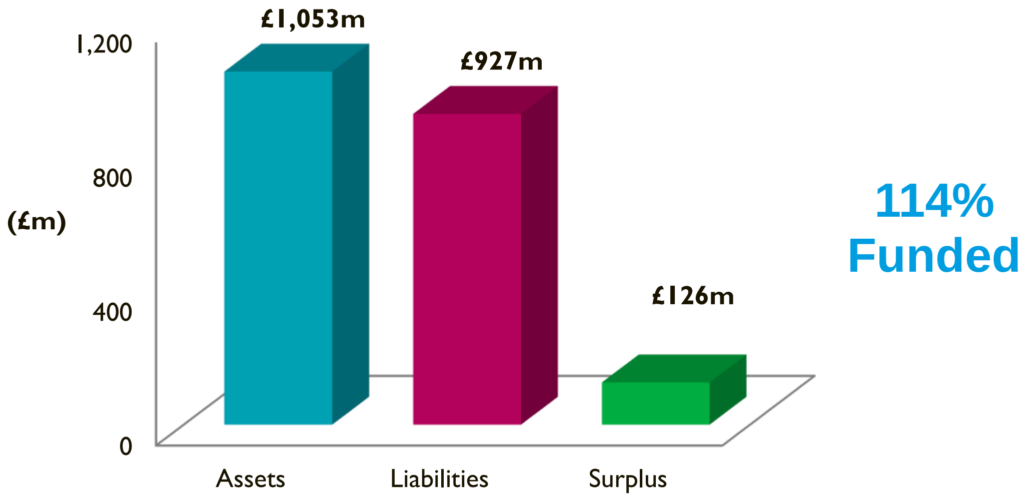
Individual employers' rates vary from the primary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report on the Fund's website.

17. Actuarial Present Value of Promised Retirement Benefits

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Bexley Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund’s assets of £1,053 million represented 114% of the Fund’s past service liabilities of £927 million (the “Solvency Funding Target”) at the valuation date. The surplus at the valuation was therefore £126 million.



The valuation also showed that a Primary contribution rate of 20.8% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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 may be 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 the 2022 actuarial valuation the average recovery period adopted was 8 years (12 years for employers in surplus). The total recovery payment (the “Secondary rate” for 2023/26) was on average a surplus offset of approximately £2.4m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.35% per annum	4.85% per annum
Rate of pay increases (long term)	4.60% per annum	4.60% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.10% per annum	3.10% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2024 (the 31 March 2023 assumptions are included for comparison):

	31 March 2023	31 March 2024
Rate of return on investments (discount rate)	4.8% per annum	4.9% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.7% per annum
Rate of pay increases	4.2% per annum	4.2% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.8% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes for the 2022 actuarial valuation but with a long-term rate of life expectancy improvement of 1.5% p.a. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuations dated March 2023.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

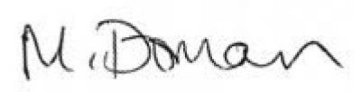
Start of period liabilities	£900m
Interest on liabilities	£42m
Net benefits accrued/paid over the period*	(£13m)
Actuarial (gains)/losses (see below)	(£16m)
[redacted]	

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased slightly over the year, with a corresponding increase in discount rate from 4.8% p.a. to 4.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a small reduction in liabilities.

- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.
- **Pension increases / recent high short-term inflation:** The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As inflation over the year was higher than the long-term assumption, this increases the liabilities.



Michelle Doman **Mark**
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Actuaries

Mercer Limited

May 2024

Appendix - additional considerations

The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid 19 / Ukraine / Gaza conflict: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

High inflation over last two years The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

Virgin Media

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, the Bexley Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

18. Current Assets

31 March 2023 £'000	Debtors	31 March 2024 £'000
554	Contributions due - employees	610
771	Contributions due - employers	1623
1,325	**Total contributions**	**2,233**
1,519	Sundry debtors	1,230
2,844	**Total**	**3,463**
9,024	Cash balances	6,005
11,868	**Total**	**9,468**

19. Current and Long-Term Liabilities

Current Liabilities

31 March 2023 £'000	Liabilities	31 March 2024 £'000
(81)	Sundry creditors	(82)
(357)	Benefits payable	(476)
(784)	Accrued expenses	(908)
0	Employer contributions prepayments	0
(1,222)	**Total**	**(1,465)**

Long Term Liabilities

31 March 2023 £'000	Liabilities	31 March 2024 £'000
-	Employer contributions prepayments	-
-	**Total**	-

20. Additional Voluntary Contributions

Value of funds

Market Value 31 March 2023 £'000		Market Value 31 March 2024 £'000
1,074	**Value of funds at end of year***	**1,291**

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid, and the assets of these investments are not included in the Fund's Accounts.

21. Related Party Transactions

As the London Borough of Bexley administers and is the largest employer of members in, the Fund there is a strong relationship between the Council and the Fund.

Information in respect of material transactions with related parties is disclosed elsewhere within the Fund accounts. Of note is the £284,250.91 recharge in 2023/24 from the London Borough of Bexley to the Fund included in administration and oversight and governance costs. (£227,945 in 2022/23). This year, London Borough of Bexley have also entered a short-term oversight and governance arrangement with Westminster City Council, recharging £194k to the Pension Fund.

The Director of Finance and Corporate Services allocates 2.5% of their time to the Fund and is the only officer that is regarded as holding a key management post in respect of the Fund. In 2023/24 costs relating to the Director of Finance post totalled £5,109.72 in respect of the allocation to the Fund (£6,506 in 2022/23). This includes employer pension fund contributions of £679.59 (£1,102 in 2022/23). The Director of Finance contributes 11.4% of their gross salary to the LGPS in employee contributions.

No Councillors of the London Borough of Bexley are members of the Local Government Pension Scheme. During the year, no Council Members or Designated Officers have declared any transactions with the Fund that they are required to. Each Member of the Pensions Committee is required to declare their interests at each meeting. As of the Committee meeting held on 27 February 2024, Councillor Howard Jackson declared that he works for the Financial Ombudsman and sometimes has dealings with fund managers as part of his role.

All Fund transactions are recorded in a separate part of the financial ledger system of the administering authority and pass through the Fund bank accounts.

22. Contingent Liabilities and Contractual Commitments

The Fund has a commitment to contribute a further £57.3m to the fund of private equity funds (£41.7m as of 31 March 2023) as there was a further tranche this year. There is also a further £36.9m (£50.5m as at 31 March 2023) into infrastructure funds. These contributions will be financed from sales of existing investments. The timing for paying over these commitments over the next few years is uncertain. The overall amount invested in private equity is not expected to change significantly as new drawdowns are likely to be offset by increased distributions.

There were no other material contingent liabilities or contractual commitments at 31 March 2024, or material non-adjusting events subsequent to this.

23. External Audit Cost

2022/23 £'000		2023/24 £'000
13	External Audit fees	99
13	**Total**	**99***

*This consists of £82,968 23/24 Scale Fee, £24,795 22/23 fee, 23/24 Audit Grant of £8,336.

24. Events after the Reporting Period

IAS 26:

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, [pension fund] does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

Asset Pool Background and Governance

Background

Housing and Communities (DLUHC) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the DLUHC issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance will set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. The Fund joined the London Collective Investment Vehicle (LCIV) in December 2015. The pool comprises of the 32 local authorities within London and as of the 31 March 2024, the total assets deemed pooled by Partner Funds stood at £31.6 billion, of which £17.1 billion are in funds managed by London CIV.

Assets under management via the London CIV Authorised Contractual Scheme ("ACS") stood at £15.6 billion, and assets invested in our private market funds stoodat £1.5 billion, with £3 billion in total commitments. The aggregate value of 'pooled' passive assets held by Legal and General Investment Management ("LGIM") and Blackrock was £14.5 billion, with £10.5 billion managed by LGIM and £4 billion managed by BlackRock.

The objective of asset pooling is to deliver:

- benefits of scale
- strong government and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

The responsibility for determining asset allocations and the investment strategy remains with individual pension funds. The Fund is a member of the LCIV asset pool. As such it is a shareholder of LCIV along with all other London Boroughs. The Chair of the Committee is the nominated shareholder representative and attends general meetings and votes at them on behalf of the Fund.

The Fund has assets in the London CIV with a value of £ 550.7m or 54% as at the 31 March 2024. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

Governance

There are a number of governance issues to be considered under pooling arrangements such as the relationship between the pension fund and asset pool, governance structure of the pool and the role of administering authorities.

The London CIV Shareholder Committee is responsible for scrutinising the actions of the LCIV Company Board, reporting and transparency, consultation on the strategy, responsible investment and emerging issues. The Committee comprises of 12 members including Councillors and Treasurers from the LLAs.

London CIV shareholders approved a new Corporate Governance and Controls framework at the July 2018 Annual General Meeting (AGM). This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

The London CIV Company Board comprises of an independent Chairman, 7 non-executive Directors (NEDs), including 2 nominated by the LLAs, 3 executive Directors and the LCIV Treasurer. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for; strategy oversight, budgeting, performance review, major decision making, financial reporting and controls, compliance and risk management, key policies and governance.

The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

Pool Fees

Pool Set up and Transition Costs

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table.

Financial Year	Development Funding Charge	Annual Service Charge	Total Set Up Costs	Total Gross Savings	Net Savings Realised

	£'000	£'000	£'000	£'000	£'000
2023/24	85	25	110	(776)	(577)
2022/23	85	25	110	(737)	(539)
2021/22	85	25	110	(744)	(536)
2020/21	85	25	110	(801)	(691)
2019/20	65	25	90	(651)	(561)
2018/19	65	25	90	(523)	(433)
2017/18	75	25	100	(95)	5
2016/17	0	25	25	0	25
2015/16	50	25	75	0	75
Total to Date	595	225	820	(4,327)	(3,232)

Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled.

	Asset Pool				**Non-asset pool**				**Fund Total**
	Direct*	**Indirect****	**Total**		**Direct***	**Indirect****	**Total**		
	£'000	£'000	£'000		£'000	£'000	£'000		£'000
Management fees	161	3,395	3,556		243	5,074	5,317		8,873
Transaction costs	-	-	-		-	-	-		-
Total	161	3,395	3,556	-	243	5,074	5,317	-	8,873

* Fees which are paid by invoice
**Fees which are deducted from fund assets and underlying transaction fees
*** Underlying transaction fees for non-pooled investments are unavailable

Asset Pooling in London Collective Investment Vehicle (LCIV)

At 31st March 2024 the Fund held investments in seven pooled funds through LCIV (Newton Global Equity, RBC Sustainable Equity, Stepstone Infrastructure, Renewable Infrastructure, PIMCO Global Bond, Inflation Plus and MAC fund).

During the year, the fund decided to divest 5% of its portfolio from LCIV in favour of Ninety-One (an off pool fund manager) as the asset class was not available to the fund at the time and the pool were not seeking to pursue it within the time frame that the fund needed it to be.

The fund holds private equity off pool, as the asset class is not available to the fund through the pool. It also holds property, infrastructure and illiquid credit off pool. These classes are undergoing review to determine whether a transition to the pool would be beneficial to the fund but any large movements are most likely to be determined at the next triennial valuation when the ISS is reviewed (2025).

The fund is committed to its fiduciary duty and will continue to engage with the pool, as one of its first options, when looking to invest.

For further information on the breakdown of investments, please refer to the financial statements.

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
Equities (including convertible shares)	320.44		47.02	367.46
Bonds	77.88	157.87	13.21	248.96
Property	28.94		96.38	125.32
Multi-Asset Credit	49.81			49.81
Private equity			87.92	87.92
Illiquid Credit			51.89	51.89
Infrastructure	73.52		7.41	80.93
Cash and net current assets				9.26

Other	
Total	1,021.55

Investment in the UK

The fund is committed to its fiduciary duty and believes that pursuing a strategy of diversification in both asset class and geography will mitigate investment risks. Consequently, the fund does not have a formalised allocation to UK assets alone but will have this amongst other assets on a global scale.

As of 31st March 2024, the total amount of investments in the UK are detailed below.

Whilst not included in the figures below, please note that the fund has undrawn commitments for LCIV Infrastructure Fund, LCIV Renewable Infrastructure Fund and Partners Private Equity.

LCIV are assuming that these commitments will be deployed in the same ratios and the drawn down commitments when submitting our return. Both will be 100% infrastructure with Infra being 39.5% UK and Renewable Infra 42% UK.

£m Asset Values as of 31 March 2024	Pooled	Under Pooled Management	Not Pooled	Total
UK Listed Equities	27.00	0.34	1.10	28.43
UK Government Bonds	13.00	97.99		110.99
UK Infrastructure	59.00		96.92	155.92
UK Private Equity			10.52	10.52
Totals	**99.00**	**98.33**	**108.53**	**305.86**

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange in the meantime.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Contact Information

This document gives details of London Borough of Bexley Council's Annual Accounts and is available on the Council's website.

For further details please contact:

The Pensions Team
2 Watling Street
Bexleyheath
DA6 7AT

Contact details of the London Borough of Bexley Pension Fund's pool company are as follows:

London CIV
4th Floor
22 Lavington Street
London
SE1 0NZ

pensionsCIV@londonciv.org.uk

Appendices

Governance Compliance Statement

Background

Regulation 55 of the Local Government Pension Scheme (LGPS) Regulations 2013 requires administering authorities to prepare and maintain a written statement of governance policy on pension fund matters. The statement is required to indicate the extent to which it complies with guidance given by the Secretary of State and to provide reasons for not complying.

Governance is the leadership, direction and control of organisations to ensure they achieve their aims and objectives. In public service organisations particularly these processes need to be clear and open to scrutiny.

Delegation of Pension Fund Management Administration

The Council has delegated its LGPS Pension Fund (“the Fund”) management and administration functions to the Pensions Committee. The Local Pensions Board supports the Pensions Committee by ensuring compliance with regulations and help it take decisions in the best interests of the Fund.

Pensions Committee

The Pensions Committee is scheduled to meet four times a year. Further meetings or sub-committees are arranged as necessary to deal with specific issues.
Committee meetings are generally held in the evenings at the Civic Offices in Bexleyheath and are open to members of the public. All Committee members and observers have equal access to committee papers, documents and advice that falls to be considered at committee meetings.
Reports to the Pensions Committee are published on the Council’s website.

Orders of Reference and Delegated Powers

The Orders of Reference for the Pensions Committee are:

- To oversee the management and investment of the Pension Fund.
- The appointment of Fund Managers and independent Fund Advisers and the review of their performance.
- Pension and retirement matters.

The Delegated Powers of the Pensions Committee are as follows:

- To agree the investment strategy having regard to the advice of the Fund’s managers and the independent adviser.
- To determine the Fund management arrangements and appointment of Fund Managers and Fund Advisers.
- To agree to the admission of bodies into the Council’s Pension Scheme.
- To agree discretionary payments in respect of pension and retirement matters.
- To agree actuarial valuations.

Committee Membership

The committee consists of nine Members, with its membership allocated broadly in proportion to party political representation on the full Council. The Committee also has four observer roles representing:

- Admitted and scheduled bodies
- Pensioners
- Employees
- The Pensions Board

These observers do not have voting rights.

Observers are given the opportunity to express their views on all issues considered by the Pensions Committee but voting rights have not been extended to them as the risk arising from the decisions taken falls on the employers' contributions to the Fund and the Members are accountable to the Council Taxpayers for the majority of this expenditure. In order to have voting rights eligible observers would need to be appointed/co-opted as members of the Committee.

Training sessions are made available to Members and observers to assist them in making informed investment decisions and to keep them informed on other matters concerning the LGPS. A training budget is specifically provided for members and observers on the Pensions Committee, and they are able to reclaim expenses incurred in undertaking training and attending seminars. A log is kept of all training undertaken and attendance is reported in the Fund's Annual Report.

At the start of meetings Committee Members are invited to declare any financial or pecuniary interest related to matters on the agenda.

Pensions Board for Bexley

The Pensions Board for Bexley has been established to assist the Pensions Committee in its work. It is scheduled to meet twice a year. Board meetings are generally held in office hours at the Civic Offices in Bexleyheath. All Board members have equal access to papers, documents and advice that fall to be considered at Board meetings. Board reports are published on the Council's website.

The Board has the following Orders of Reference: -

- To assist the Pensions Committee to secure compliance with the LGPS Regulations 2013 (as amended) and other legislation relating to the governance and administration of the LGPS.
- To assist the Pensions Committee to secure compliance with the requirements imposed by the Pensions Regulator in relation to the LGPS.
- To assist the Pensions Committee to ensure the effective and efficient governance and administration of the LGPS.

and Delegated Powers: -

- To do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- To report any matters of non-compliance to the Audit Committee.

London Collective Investment Vehicle

In compliance with Government regulations regarding the pooling of LGPS assets, the Bexley Pension Fund is a shareholder and member of the London Collective Investment Vehicle (LCIV). The Pensions Committee decides which of the LCIV pooled funds they want to allocate assets to. LCIV make decisions on the appointment and removal of the investment managers that run their pooled funds.

The Chair of the Pensions Committee is the nominated shareholder representative for the Bexley Fund. LCIV has two general meetings during the year which the Chair attends and votes at on behalf of the Fund. The Vice Chair of the Committee is the nominated deputy shareholder representative.

A Shareholder Committee provides oversight of the LCIV Board. It is made up of 8 Councillors, 4 London Borough Treasurers, the LCIV Chair and a Trade Union Observer. If nominated the Chair of the Pensions Committee, in their role as the shareholder representative of the Bexley Fund, may sit on the Shareholder Committee.

Advice and monitoring

The Pensions Committee is advised by the Director of Finance and Corporate Services, the Head of Legal Services, the Fund's investment consultant and the Fund's investment managers. The Director of Finance and Corporate Services is responsible for ensuring that the in-house team is providing adequate support to the Committee.

The investment managers and LCIV present to the Committee at regular intervals on the implementation of the investment policy. In between Committee meetings they report to the Director of Finance and Corporate Services on investment policy. The Pension Fund's performance is regularly assessed by the Fund's custodian. The Fund's procedures are subject to audit and scrutiny by both the Council's internal and external auditors.

Compliance and secretary of State guidance

The table below sets out Bexley Pension Fund's compliance with guidance given by the Secretary of State.

PRINCIPLE	COMPLIANCE
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.	**Full Compliance** – Pensions Committee performs this role
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.	**Full Compliance** – There are admitted body, employee and pensioner observer roles on the Pensions Committee. There is no secondary committee.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No secondary committee or panel has been established
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.	No secondary committee or panel has been established
B.Committee Membership and 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) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis)	**Full Compliance**-There are admitted body, employee, pensioner and Local Pensions Board observer roles on the Pensions Committee. - The Fund has appointed investment advisors and a scheme actuary who provide expert advice to the Pensions Committee - The Pensions Committee has not appointed an independent professional observer as it is not felt necessary given the governance arrangements in place and the expert advisors appointed by the Committee.
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.	**Full Compliance** – Committee Orders of Reference & Delegated Powers are provided. Training is offered to Committee Members.
b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	**Full Compliance** – Declarations of interest are a standing item on the Committee agenda.

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.	**Full Compliance** – voting rights are set out in the Governance Compliance statement
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.	**Full Compliance** – Knowledge and skills framework is set out in the Pension Fund annual report. Members allowances and expenses are set out in the Council's Member's Allowance Scheme.
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.	**Full Compliance**

Funding Strategy Statement

This can be found in full on the Bexley website at Funding Strategy Statement 2022 (bexley.gov.uk).

Pension Fund Actuarial Valuation Report 2022

This can be found in full on the Bexley website at Pension Fund Actuarial Valuation Report 2022 (bexley.gov.uk)

Investment Strategy Statement

Contents

1. Introduction

1.1. This is the Investment Strategy Statement (ISS) of the London Borough of Bexley Pension Fund adopted by Bexley Council (the Council) in its capacity as Administering Authority ("the authority") of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.

1.2. The Council has delegated to its Pensions Committee ("the Committee") "all the powers and duties of the Council in relation to its functions as Administering Authority, save for those matters delegated to other committees of the Council or to an officer."

1.3. The ISS has been prepared by the Committee having taken appropriate advice. It meets the requirements of Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

1.4. The ISS, which was approved by the Committee on 27 September 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Strategy with each of its employers and the Pension Board. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

2. Statutory Background

2.1. Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

2.2. The ISS required by Regulation 7 must include:

a) A requirement to invest money in a wide variety of investments;
b) The authority's assessment of the suitability of particular investments and types of investments;
c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

2.3. The ISS must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

3. Directions by the Secretary of State

3.1. Regulation 8 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with guidance issued by the Department of Communities and Local Government.

3.2. The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

3.3. The power of Direction can be used in all or any of the following ways:

a) To require an administering authority to make changes to its investment strategy in a given timescale;
b) To require an administering authority to invest assets as specified in the Direction;
c) To transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State; and
d) To require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred.

3.4. Before issuing any Direction, the Secretary of State must consult the administering authority concerned and before reaching a decision, must have regard to all relevant evidence including reports under section 13(4) of the Public Service Pensions Act 2013, reports from the Scheme Advisory Board or from the relevant local pension board and any representations made in response to the consultation with the relevant administering authority. The Secretary of State also has the power to commission any other evidence or additional information that is considered necessary.

4. Advisers

4.1. Regulation 7 requires the Council to take proper advice when making decisions in connection with the investment strategy of the Fund. In addition to the expertise of the members of the Committee advice is taken from:

- The Director of Finance and Corporate Services
- The Head of Legal Services
- Redington Ltd – investment consultancy

- Mercer Ltd – actuarial services consultancy
- The Fund's investment managers

5. Objective of the Fund

5.1. The objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) is reviewed at each triennial actuarial valuation, or more frequently as required. To achieve this, the operational objective of the Fund is to maximise the likelihood of reaching 100% funding on an ongoing basis over the next three valuation periods subject to an acceptable level of downside risk.

5.2. The assets of the Fund are invested with the primary objective being to achieve a return that is sufficient to meet the funding objective as set out above, subject to an appropriate level of risk and liquidity. Over the long-term, it is expected that the Fund's investment returns will be at least in line with the assumptions underlying the actuarial valuation.

5.3. Related objectives are to seek to minimise the level and volatility of employer contributions necessary to meet the cost of pension benefits.

6. The suitability of particular investments and types of investments

6.1. The Committee decides on the investment policies most suitable to meet the liabilities of the Fund and has ultimate responsibility for investment strategy.

6.2. The Committee has translated its investment objective into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

6.3. The approach seeks to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

6.4. As part of the 2022 triennial valuation the Committee at its meeting on 9 March 2023, as advised by Redington, considered its investment strategy alongside its funding objective and agreed the following benchmark structure and target ranges.

	Benchmark %	Target Range %
Global Equities	25	20 - 40
Impact Equities	5	0 - 10
Total Equities	**30**	**20 - 40**
Global Bonds (inc. Corporates)	10	5 - 15
UK Government Bonds	15	10 - 15
Multi-Asset Credit	5	0 - 10
Total Bonds	**30**	**20-40**
Property	15	5 - 25
Private Equity	7	0 - 15
Infrastructure	8	0 - 15
Renewable Infrastructure	5	0 - 15
Illiquid Credit	5	0 - 15
Total Alternatives	**40**	**20 - 50**
Total	**100**	**100**

6.5. Under the existing strategy, the most significant rationale of the structure is to invest most of the Fund assets in "growth assets" i.e., those expected to generate 'excess' returns over the long term. These include listed equities and private equity. The structure also includes a small allocation to bonds and alternative assets, including property and infrastructure to provide both diversification and expected returns in excess of liabilities.

6.6. The strategy also aims to maximise income production to meet the fund's liquidity needs, as well as accounting for the committee's continued commitment to environmental, social and governance (ESG) issues.

6.7. The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability and diversification given the Fund's level of funding and liability profile

- The level of expected risk
- Outlook for asset returns

6.8. The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not deviate from the target allocation. If such a deviation occurs, except for the private equity investment subject to distributions and drawdowns, a re-balancing exercise is carried out. If necessary, the Director of Finance and Corporate Services as Section 151 officer has delegated authority to undertake rebalancing but any such rebalancing activity is reported to the next meeting of the Committee.

7. Asset classes

7.1. The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, government and non-government bonds, cash, property and other alternative investments either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

7.2. In line with the Regulations, the Council's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the "Local Government and Public Involvement in Health Act 2007".

7.3. Apart from the maximum level of investments detailed above the Fund has no further restrictions.

7.4. The majority of the Fund's assets are highly liquid, and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. Assets in the Fund that are considered to be illiquid include property, infrastructure and private equity. As a long term investor, the Fund considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.

8. Managers

8.1. The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.

8.2. The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management. Private equity managers are remunerated through fees based on commitments and performance related fees.

8.3. The managers are expected to hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers maintain diversified portfolios through direct investment or pooled vehicles.

8.4. The management agreement in place for each fund manager sets out, where relevant, the benchmark, performance target and asset allocation ranges. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with The Regulations in equities, fixed interest, and other bonds, in the UK and overseas markets and alternative assets. The Regulations specify other investment instruments that may be used, for example, financial futures, traded options, insurance contracts, stock lending, sub-underwriting contracts.

8.5. As at the date of this ISS the details of the managers appointed by the Committee are as follows:

Manager	Asset Class	Benchmark
LaSalle	Property	AREF/IPD All Balanced Funds Index
London CIV	Global Equities (Newton)	MSCI AC World
	Global Equities (RBC)	MSCI World (GBP)(TRNet)
	Global Credit (PIMCO)	Barclays Agg. Credit Index Hedged (GBP)
	Inflation Plus (Aviva Property)	RPI + 1.5%
	Infrastructure (Stepstone)	8% per annum
	Renewable Infrastructure (Foresight, Blackrock, Quinbrook, Stonepeak, Macquarie)	7% per annum
	Multi-Asset Credit (CQS and PIMCO)	SONIA + 4.5%
BlackRock	Global Equities	MSCI World
	UK Credit	iBoxx Sterling Non-Gilts Index
	UK Index Linked GILTs	UK Index-Linked Gilts All Stocks Index
Partners	Private Equity	50% FTSE USA / 40% FTSE Europe / 10% FTSE W Asia Pacific
UBS	Infrastructure	CPI + 5%
M&G	Illiquid Credit	SONIA + 5%

8.6. Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through funds, the fund appoints its own custodian.

8.7. Stock lending is permitted in pooled funds where applicable. Details of investment managers' procedures and controls are available on request. Managers are permitted undertake stock lending of up to 10% of the Fund's assets subject to the agreement of the Director of Finance and Corporate Services.

8.8. Performance targets are generally set on a three-year rolling basis and the Committee monitors manager performance quarterly. Advice is received as required from officers, the professional investment adviser, and the independent advisers. In addition, the Committee requires managers periodically to attend its meetings.

8.9. The Council also monitors the qualitative performance of the Fund managers to ensure that they remain suitable for the Fund. These qualitative aspects include changes in ownership, changes in personnel, and investment administration.

9. Approach to risk

9.1. The Committee has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

9.2. At least once a year the Committee will review its risk register which details the principal risks identified and the Committee's approach to managing them. The Funding Strategy Statement also includes a section on risk and the ways it can be measured and managed.

9.3. The most significant investment risks and methods of managing them are summarised in paragraphs 9.4 – 9.9 below.

9.4. Whilst the objective of the Committee is to maximise the return on its investments, it recognises that this must be within certain risk parameters and that no investment is without an element of risk. The Committee acknowledges that the predominantly equity-based investment strategy may entail risk to contribution stability, particularly due to the short-term volatility that equity investments can involve. The long-term nature of the Fund and the expectation that longer term returns from equity investments will exceed those from bonds mean, however, that a significant equity allocation remains an appropriate strategy for the Fund.

9.5. A policy of diversification for its investments and investment managers helps the Committee to mitigate overall risk. Benchmarks and targets against which investment managers are expected to perform are further measures put in place to manage the risks for the Fund.

9.6. The Committee looks to balance investment returns with ensuring the Fund has sufficient liquidity and cashflow available to meet benefit payments. More than 60% of the fund is invested in highly liquid strategies such as equities and bonds.

9.7. Funding risks

9.7.1. The major funding risks identified are:

- Fund assets are not sufficient to meet long term liabilities

- Relative movement in value of Fund assets does not match the relative movement in Fund liabilities
- Changes in LGPS regulations impacting on Fund liabilities
- Demographic movements, particularly longevity, structural changes in membership and increases in early retirements. and
- Insufficient assets to meet short- and medium-term liabilities

9.7.2. The Committee measures and manages these potential financial mismatches in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set considering asset liability modelling undertaken in 2023 which focused on probability of success and level of downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities. Key metrics such as probability of reaching full funding and downside risk measures will be evaluated periodically in line with the Actuarial Valuation, to ensure the benchmark is still appropriate.

9.7.3. The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

9.7.4. The Committee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise.

9.7.5. Demographic factors including the uncertainty around longevity / mortality projections (e.g., longer life expectancies) contribute to funding risk. There are limited options currently available to fully mitigate or hedge this risk.

9.8. Asset risks

9.8.1. The major asset risks identified are:

- Significant allocation to any single asset category and its underperformance relative to expectation.
- General fall in investment markets
- Failure by fund managers to achieve benchmark returns

9.8.2. The Committee measure and manage asset risks as follows:

- The Fund's strategic asset allocation policy requires investments in a diversified range of asset classes, markets and investment managers. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. These rebalancing ranges have been designed to allow the Fund to deviate from target in response to economic developments. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds the Committee has recognised the need for access to liquidity in the short term.

- The Committee has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers if underperformance persists.

9.9. Security

9.9.1. The major asset risks identified are:

- Investment manager may not have an appropriate control framework in place to protect and value Fund assets
- Custody arrangements may not be sufficient to safeguard fund assets
- Counterparty default in stock lending programme

9.9.2. The Committee monitors and manages risks in these areas through the regular scrutiny of the audit of the operations independently conducted for each of its investment managers. Where appropriate (e.g., custody risk in relation to pooled funds). The Fund has delegated such monitoring and management of risk to the appointed investment managers. The Committee has the power to replace a provider should serious concerns exist.

10. Approach to pooling

10.1. The Fund, along with all London boroughs, is a shareholder and participating scheme in London LGPS CIV Limited ("London CIV"). The London CIV is authorised by the Financial Conduct Authority as an Alternative Investment Fund Manager with permission to operate a UK based Authorised Contractual Scheme fund. The structure and basis on which the London CIV will operate was set out in the July 2016 submission to Government.

10.2. The Fund's intention is to invest its assets through the London CIV as and when suitable pool investment solutions become available. At each of its meetings the Committee considers an update report on progress.

10.3. At the time of preparing this Statement, approximately 55% of the Fund's assets were invested through the London CIV, with a further 15% of assets invested in pooled passive vehicles which are deemed to be compliant with pooling regulations.

10.4. The Fund holds 20% of the portfolio in illiquid assets and these are expected to remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and decides to disinvest.

10.5. Any assets deemed not appropriate for investment through the London CIV will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether the non-pooled investments continue to demonstrate value for money. The next such review will take place no later than 2025.

10.6. The governance structure of the London CIV has been designed to ensure that there are both formal and informal routes to engage with all the London boroughs as both shareholders and investors. The governance structure of the London CIV includes a Shareholder Committee which acts on behalf of the Shareholders as a consultative body. It comprises of 12 Committee Members made up of 8 Local Authority Committee Chairs (or Leaders of London Local Authorities), 4 Local Authority Treasurers and the Chair of the Board of London CIV. It also comprises of two Non-Executive Directors and as two further nominated observers, a Trade Union representative and a Local Authority Treasurer. This arrangement replaced the Pensions CIV Sectoral Joint Committee (PCSJC) as confirmed in a letter to the Fund dated 13 June 2018. In addition, the London CIV hosts an AGM each year and a general meeting to approve the London CIV's budget. The Fund attends these meetings with the Chair of the Pension Committee representing the Fund.

10.7. As an AIFM, London CIV must comply with the Alternative Investment Manager Directive ("AIFMD") and falls under the regulatory scrutiny and reporting regime of the Financial Conduct Authority ("FCA"). This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management. This is achieved through a combination of the London Councils' Sectoral Joint Committee, comprising nominated Member representatives from the London boroughs, and the Investment Advisory

Committee formed from nominated borough officers, which includes both London borough treasurers and pension officers from several boroughs. At the company level it is the Board of Directors that is responsible for decision making within the company, which includes decisions to appoint and remove investment managers.

11. Social, environmental and governance considerations

11.1. The Council recognises that it has a paramount duty to seek to obtain the best possible return on the Fund's investments taking into account a properly considered level of risk. However, it recognises that environmental, social and governance factors can influence long term investment performance and the ability to achieve long term sustainable returns. As a general principle it considers that the long-term financial performance of a company is likely to be enhanced if it follows good practice in its environmental, social and governance activities.

11.2. At the present time the Committee does not consider non-financial factors when selecting, retaining, or realising its investments.

11.3. All the Fund's investments are managed by external fund managers, the majority of which are in pooled funds, and the Council recognises the constraints inherent in this policy. Nevertheless, it expects its managers, acting in the best financial interests of the Fund, to consider, amongst other factors, the effects of environmental, social, and other issues on the performance of companies in which it invests. The Council expects its managers to have signed up to "The UK Stewardship Code" and to report regularly on their compliance with the Code and other relevant environmental, social and governance principles.

11.4. In addition, the Committee meets most of its managers at least once a year and they are always asked to discuss the activities they undertake in respect of socially responsible investment and how they consider long term environmental, social and governance risks in making specific investment decisions.

11.5. The Fund does not hold any assets which it deems to be social investments.

12. Exercise of the rights (including voting rights) attaching to investments

12.1. The Committee sees itself as an active shareholder and seeks to exercise its rights (including voting rights) to promote and support good corporate governance principles which in turn will feed through into good investment performance. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners.

12.2. In practice, the Fund’s equity holdings are expected to be wholly invested through pooled funds in which voting, and engagement decisions are made by fund managers. The Council encourages its fund managers to vote and engage with investee companies worldwide to ensure they comply with best practice in corporate governance in each locality with the objective of preserving and enhancing long term shareholder value.

12.3. Accordingly, the Fund’s managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with voting alerts issued by LAPFF as far as practically possible to do so.

12.4. The fund managers provide reports on their voting and engagement activities.

12.5. Any investments the Fund makes through the London CIV will be covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

13. Stewardship

13.1. The Committee has considered, but not yet signed up to, the revised Institutional Shareholders Committee Code on the Responsibilities of Institutional Investors ("The UK Stewardship Code").

13.2. The Committee also expects the London CIV and all managers which it appoints to sign up to the Code.

14. Compliance with “Myners” Principles

14.1. In Appendix 1 are set out the details of the extent to which the Fund complies with the six updated “Myners” principles set out in the Chartered Institute of Public Finance and Accountancy’s publication “Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012.” These principles codify best practice in investment decision making.

Compliance with “Myners” Principles

1. Effective decision-making

1.1. Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.
- Those persons or organisations should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

1.2. Fund compliance – Full

- The Council has delegated decision making in respect of the Pension Fund to the Committee, comprising six Councillors with full voting rights with observers from Admitted and scheduled bodies, pensioners, and employers.
- The Committee, with advice from its Investment Adviser has appropriate skills for, and is run in a way that facilitates, effective decision making.
- Members of the Committee are provided with training opportunities in line with the skills and knowledge framework produced by CIPFA and a training log is maintained. Details of training provided each year are included in the Fund’s annual report.
- There are sufficient internal resources and access to external resources for the Committee to make effective decisions.

2. Clear objectives

2.1. An overall investment objective(s) should be set out for the Fund that takes account of the scheme’s liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers and the attitude to risk of both the Administering Authority and scheme employers. These should be clearly communicated to advisers and investment managers.

2.2. Fund compliance – Full

- The Fund’s Investment Strategy Statement and Funding Strategy Statement set out its investment objectives which are agreed after consultation with the Fund actuary and take into account the Fund’s liabilities, the impact on employer contribution rates, future cashflows and the Fund’s attitude to risk.
- Asset allocation, benchmarks and risk parameters are set with the aim of achieving these objectives.

- Fund managers have clear written mandates with individual performance targets and benchmarks and their performance is measured and reviewed by the Committee on a quarterly basis.
- Full account is taken of the strength of the sponsor covenant for all non-local authority employers admitted to the fund and contribution rates set accordingly.

3. Risks and Liabilities

3.1. In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

3.2. Fund compliance – Full

- A risk register is maintained with specific investment risks identified.
- The Committee, in setting its investment strategy, has taken account of the form and structure of its liabilities following advice from the Fund's actuary. The strategy aims to achieve the return required to meet its liabilities whilst considering stability of contributions and affordability for employers.
- Consideration is given to the payment of a bond by prospective admitted bodies to the Fund to minimise the financial consequences of default.
- A risk assessment and suggestions as to how the risks can be managed is included in the triennial valuation.
- Longevity risk is built into the triennial actuarial and is therefore included when determining the investment strategy.
- Investment risk, including that of underperformance is considered in the Investment Strategy Statement and the Fund's Annual Report.

4. Performance Assessment

4.1. Arrangements should be in place for the formal measurement of the performance of investments, investment managers and advisers. Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

4.2. Fund compliance – Partial

- In addition to overall Fund performance, the Committee considers the performance of individual investment managers against their benchmarks on a quarterly basis; matters of poor performance are addressed through meetings with fund managers and, if necessary, the termination of contracts.

- Following the cessation of WM as independent performance measurer for the Fund, Northern Trust, the Fund's custodian is working to provide quarterly and annual reports detailing the performance of the Fund and its managers and identifying the achievements resulting from asset allocation and manager performance.
- The performance of actuaries and advisers is informally assessed on an ongoing basis.
- The performance of the Fund is reported annually to all scheme members and is included in the Annual report; the Committee will be considering ways of improving their accountability, particularly following the establishment of the Pension Board.

5. Responsible Ownership

5.1. Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the Investment Strategy Statement.
- Report periodically to members on the discharge of such responsibilities.

5.2. Fund compliance – Partial

- The Fund's policy on the extent to which its investment managers take account of social, environmental and ethical considerations is stated in the Investment Strategy Statement.
- The Fund expects its managers to engage positively and seek to influence companies in which the Fund invests to take account of key social, environmental and ethical considerations.
- Where applicable, the Fund expects its managers to have adopted the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- Whilst the Fund's equity holdings are wholly invested through pooled funds in which voting and engagement decisions are made by fund managers the Council encourages its managers to vote and engage with investee companies worldwide to ensure they comply with best practice in corporate governance in each locality. The fund managers provide reports on their voting and engagement activities.

6. Transparency and Reporting

6.1. Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Provide regular communication to members in the form they consider most appropriate.

6.2. Fund compliance – Full

- The Fund makes available a range of documents including:
  - Annual Report including Statement of Accounts.
  - Communications Policy Statement.
  - Investment Strategy Statement.
  - Funding Strategy Statement.
  - Triennial Actuarial Valuation.
  - Agenda and Minutes of the Pensions Committee.
  - Annual Statement of Benefits to all active and deferred members.
  - Newsletter to pensioners once a year.
  - Newsletters to active members at least once a year.

Communications Policy Statement

Background

The Local Government Pension Scheme (LGPS) Regulations require administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with scheme members, scheme members' representatives, prospective scheme members and their employing authorities.

An effective communications strategy is vital for any organisation which strives to provide high quality and consistent service to its customers. In public service organisations particularly, these processes need to be clear and open to scrutiny.

The principles and methods (the policy) to achieve effective communications are shown on the following pages.

Principles

- To provide clear and consistent information reducing the potential for confusion and uncertainty.
- To provide timely and accurate communications and a proactive information service that is factual and precise.
- To undertake customer satisfaction surveys and to act upon feedback and comment.
- To use the most appropriate communication medium for the customer audience.
- To address, where possible, the requirements of a diverse customer base with regard to information access.

Method

The Fund's principal method of communicating with and providing information to members and employers is the website at www.lppapensions.co.uk.

The administering authority will deliver its communications policy, in partnership with the Local Pensions Partnership Administration (LPPA - the Council's pension scheme administrators), by the following methods:

Scheme Members and Representatives

- Access to the website www.lppapensions.co.uk which contains scheme details, news items, annual reports and guides to the scheme with links to other relevant organisations and the option of viewing personal details via a secure logon.
- A comprehensive range of scheme literature is available from the LPPA or accessible from the website.

- Members, including pensioners and deferred members, will be able to access the Annual Report on the Council website each year. This provides an overview of any changes to the scheme and a report of the Fund's performance.
- Current and deferred scheme members will receive a Benefit Statement in August each year detailing the current and prospective value of their pension benefits.
- Pensioners will be given access to their personal details and electronic payslips via an online Member Self Service system.
- An individual annual pension statement will be published online for all pensioners in April each year. This will notify them of the paydays for the next twelve months and detail their gross pension payable including any relevant pensions increase and an estimated net value. A paper copy will be sent to pensioners by the end of May each year - if they opt for this method.
- P60 statement of earnings will be available via the Online Member Self Service system, and a paper copy will be sent to pensioners by the end of May each year - if they opt for this method.

Prospective Members

- A short scheme guide is available for prospective employees via the website www.lppapensions.co.uk.
- New employees are automatically enrolled into the scheme as part of their employment contract.
- Any employees who have opted out of the LGPS will be automatically re-enrolled every three years however they are able to opt out again if they so wish
- Information relating to joining the LGPS and the right to opt-out is available via the www.lppapensions.co.uk website

Scheme Employers

- An Employer Forum will be organised each year where employers will be informed on changes to the scheme and current topics of interest.
- Regular contact will be maintained to ensure prompt communication of changes to the scheme and topical issues as they arise will be featured as news items accessible via the website www.lppapensions.co.uk.
- Employers are emailed a quarterly newsletter updating them on new developments and administrative requirements for the scheme.
- An 'employers pack' detailing the interactions between the administering authority and employers will be provided and maintained.
- Access to a secure portal for Employers via the website for transmission of data to LPP as and when required.

Annual Report of the Pension Board 2023/24

1. Introduction

The Pensions Board for Bexley was set up with two core functions:
(a) to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme
(b) to ensure the effective and efficient governance and administration of the Scheme

During 2023/24 the Pension Board held two meetings and the Board considered matters in line with its business plan.

2. Matters considered by the Pensions Board during 2023/24

(a) Appraisal of Pensions Committee Reports

The Board considered the reports and decisions of the Pensions Committee as part of its governance role. The board was satisfied that the Pensions Committee had followed due process and raised no concerns in respect of the decisions it had made.

(b) Fund Communications

The Board reviewed the Fund's Communication Policy. No changes had been made to either the principles or method of communication since the last review and the board was satisfied that it continues to meet the requirements as set out in the LGPS regulations.

(c) Risk Register

The Board reviewed the Fund's risk register. There were no changes to the risk probability or impact scores since the last review.

(d) Administration Update

The board received reports on the performance of LPP who provide the pensions administration function of behalf of the London Borough of Bexley.

Responsible Investment Policy

This document can be accessed in full electronically on the Bexley website at Responsible Investment Policy (bexley.gov.uk)