Bank of England

Pension Fund Report and Financial Statements

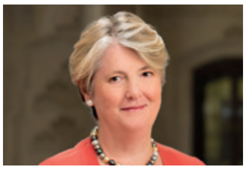
September 2024

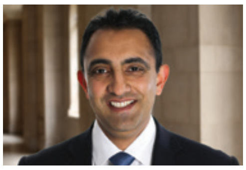
Contents

Registration No. 10007558

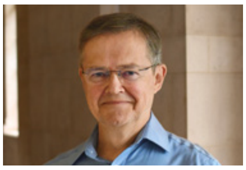
Trustee Directors, Managers and Professional Advisers

Trustee Directors and Managers


Anne Glover


Ragveer Brar


Matthew Corder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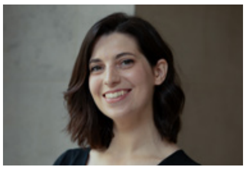
Jethro Green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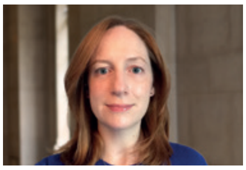
Stefanie Ives


Shoib Khan


Shamir Patel


Amy Petersen


Joshua Simons

Trustee

BE Pension Fund Trustees Limited

Trustee Directors

Anne Glover	Bank-appointed (Chair)
Christopher Bennell	Pensioner-nominated (Deputy Chair) (resigned 2 May 2023)
Ragveer Brar	Member-nominated (re-appointed 1 July 2024)
Matthew Corder	Bank-appointed
Mark Cornelius	Pensioner-nominated
Jonathan Curtiss	Bank-appointed (resigned 31 July 2023)
Charlotte Gerken	Bank-appointed (resigned 20 February 2024)
Jethro Green	Unite-nominated
Preeti Gulati	Bank-appointed (resigned 11 June 2024)
Joanne Hall	Bank-appointed (appointed 11 June 2024)
Stefanie Ives	Bank-appointed
Shoib Khan	Bank-appointed (appointed 12 March 2024)
Shamir Patel	Bank-appointed
Amy Petersen	Member-nominated
Joshua Simons	Bank-appointed (appointed 14 March 2023)

Investment Sub-Committee

Members

Ragveer Brar	Trustee Director
Matthew Corder	Trustee Director
Anne Glover	Trustee Director
Jethro Green	Trustee Director
Shamir Patel	Trustee Director
Joshua Simons	Trustee Director

Attends by invitation

Afua Kyei	Chief Financial Officer
Matt Cartledge	Head of Financial Control and Reporting

Administration and Governance Sub-Committee

Members

Stefanie Ives	Trustee Director (Chair)
Mark Cornelius	Trustee Director
Joanne Hall	Trustee Director
Shoib Khan	Trustee Director
Amy Petersen	Trustee Director

Pension Trustee Support Unit (PTSU)

Secretariat

Kerry Merryweather	Fund Secretary
Rosanne Hossack	Assistant Secretary

Pension Trustee Support Unit
Bank of England
Threadneedle Street, London, EC2R 8AH
kerry.merryweather@bankofengland.co.uk

Professional Advisers

Fund Actuary

John Batting FFA
XPS Pensions Limited
Albion, Fishponds Road, Wokingham, RG41 2QE

Independent Auditor

Crowe U.K. LLP
55 Ludgate Hill, London, EC4M 7JW

Legal Adviser

Sacker & Partners LLP
20 Gresham Street, London, EC2V 7JE

Investment Managers

Legal & General Assurance (Pensions Management) Limited
One Coleman Street, London, EC2R 5AA

Aviva Investors
St Helen's, 1 Undershaft, London, EC3P 3DQ

Insight Investment
160 Queen Victoria Street, London, EC4V 4LA

J.P. Morgan Asset Management
60 Victoria Embankment, London, EC4Y 0JP

Fund Administrator

Equiniti Paymaster
Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH

Investment Consultants and Advisers

XPS Investments Limited
11 Strand, London, WC2N 5HR

Medical Adviser

Dr Nadia Sheikh MBBS. MRCP. MFOM.
Bank of England
Threadneedle Street, London, EC2R 8AH

Bankers

Customer Banking Division
Bank of England
Threadneedle Street, London, EC2R 8AH

Lloyds Bank Plc
PO Box 72, Bailey Drive, Gillingham Business Park, Gillingham, Kent, ME8 0LS.

Custodian

Northern Trust
50 Bank Street, Canary Wharf, London, E14 5NT

AVC Providers

The Prudential Assurance Company Limited
Laurence Pountney Hill, London, EC4R 0HH

Standard Life Assurance Limited
Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH

Utmost Life and Pensions Limited
Walton Street, Aylesbury, Buckinghamshire, HP21 7QW

Professional Advisers

There are written agreements in place between the Trustee and the Fund Advisers.

Trustee Report

Introduction

The Trustee of the Bank of England Staff Pension Fund ('the Fund') presents its annual Trustee Report together with an Actuarial Certificate, Independent Auditor's Report, Financial Statements and Notes, Independent Auditor's Statement about Contributions, Summary of Contributions and Compliance Statement for the year ended 29 February 2024.

Constitution and Governance

Constitution of the Fund

The Fund is a defined benefit occupational pension scheme which provides benefits for employees of the Bank of England ('the Bank').

The Fund is established under trust, with a corporate trustee and is governed by a Trust Deed and Rules. The Final Salary and Career Average Sections had been contracted-out of the State Scheme under the provisions of the Occupational Pension Schemes (Contractingout) Regulations 1996. With the cessation of contracting-out from 6 April 2016, all active Members accruing pension from that point onwards are contracted-in (and pay higher National Insurance contributions).

The Fund is approved by the Commissioners of the Inland Revenue as a retirement benefits scheme for the purposes of Chapter 2 of Part 4 of the Finance Act 2004 and is treated as an 'exempt approved scheme' for the purposes of that Act.

The Trustee

The Fund is managed by the Trustee which has fiduciary responsibility for the Fund on behalf of the Members in accordance with the Trust Deed and Rules. BE Pension Fund Trustees Limited, the 'Trustee', is a company set up solely to act as corporate trustee of the Fund. The directors of this company are listed on page 2 and 3.

Under the Trust Deed of the Fund, up to eight Directors are appointed by the Bank and, in accordance with the Pensions Act 2004, four are nominated by the Members (two by employed Members, one by pensioners and one by Unite the Union). Member and pensioner-nominated Trustee Directors are appointed for up to two three-year terms, after which a selection process is undertaken. In accordance with the Trust Deed, the Bank can at any time remove those Trustee Directors it has appointed.

The Trustee is responsible for the management and governance of the Fund. It usually meets at least four times per year with additional meetings as required. The Investment Sub-Committee ('ISC') oversees all investment matters and makes recommendations to the Trustee. The Administration and Governance Sub-Committee oversees governance matters and those functions delegated to the Fund's administrators. There were four Trustee Board and five separate ISC/Valuation Working Group meetings during the year under review, with one ISC meeting held jointly with a Board meeting. The Administration and Governance Sub-Committee held four quarterly meetings in the year under review. Additional Working Groups were held during the year to cover Guaranteed Minimum Pension (GMP) Equalisation and Pensions Dashboard projects.

During the year under review, in line with the Schedule of Contributions, the Bank paid contributions in the year of £155.2mn (2023: £137.2mn).

The Trustee has monitored the various Codes of Practice and related guidance material published during the year by the Pensions Regulator and other regulatory bodies, to ensure that the Fund and its administration are compliant and operate in line with best industry practice.

Trustee knowledge and understanding

Pension legislation and best practice requires that the Trustee directors have the appropriate skills and understanding to carry out their role. This is achieved through training and meetings with the Fund's specialist advisers on a regular basis.

As well as formal development activities, the Trustee keeps abreast of developments in the pension field through updates at regular Trustee meetings, and information shared by its advisers both electronically and via seminars. In addition, a dedicated training session is provided in most years for the Trustee Directors by one of the Trustee's firm of advisers.

Investment strategy

The investment strategy aims to provide a high degree of certainty in the financial position of the Fund and its ability to meet its liabilities under a wide range of future economic and financial conditions. The strategy also aims to improve the strength of funding over time in a measured and proportionate way through long-term investment returns above gilts.

The long-term investment objectives of the Fund are:

1. To hold a diversified portfolio of contractually based assets to pursue a return of Gilts + 0.5% per annum that will be used to meet benefits.

2. To invest to meet the cash flows of the Fund's accrued liabilities having regard for transaction costs, using a mix of high-quality bond or bond-like assets that pay out contractual income with a high degree of security.

3. To limit the risk of assets failing to meet the liabilities over the long term.

4. To ensure the Fund's assets have sufficient liquidity and meet benefit payments as they fall due.

The strategic objectives of the Fund and the benchmark for the allocation of the Fund's assets are reviewed at least triennially and more frequently if the circumstances require. The strategic asset allocation is driven by the financial characteristics of the Fund, in particular the Fund's liabilities, the security of the Bank's covenant and the risk tolerance of the Bank and the Trustee.

The Trustee seeks to achieve the Fund's objectives through investing in a mix of high-quality liquid financial instruments, principally index-linked and fixed-interest gilts and HM Government guaranteed sterling bonds. In addition to this the portfolio incorporates a range of high-quality diversifying and return-generating assets including: debt issued by supranationals, sterling investment grade credit (corporate and sub-sovereigns), non-sterling investment grade credit, hard currency emerging market debt and illiquid secure income assets, such as senior infrastructure debt, senior commercial real estate debt, private corporate debt and amortising long lease financings. The Fund also uses derivatives to maintain the Fund's interest rate and inflation hedging level and also to protect the Fund against any exposure to currency and interest rate risk obtained when investing in overseas assets.

The expected income and liquidity profile of the portfolio has been designed to ensure adequate liquid assets are available to meet Members' benefits as they fall due. The investment strategy does not seek a perfect match for the Fund's liabilities. This is not practical because of limitations in available assets and uncertainty in the amount of future payments to members, which depend on how long members will live.

The Trustee has implemented a Responsible Investment Policy which captures their environmental, social and governance (ESG) beliefs. It is published on a publicly accessible website along with the Statement of Investment Principles. The documents can be found on the Bank's Pension portal.[1] The investment managers' performance is monitored against the Responsible Investment Policy on an annual basis.

The Trustee considers climate change to be a significant long-term financial and systemic risk that, if not managed, has the potential to negatively impact the value of the Fund's investments. The Trustee requires its investment managers to consider the materiality and impact of climate change risks within the entire process including the selection, retention and realisation of investments. The Trustee takes into account the impact and financial risks from climate change when making any investment decisions.

The Trustee supports the global net-zero target. As a result, the Trustee has a comprehensive strategy to implement a clear emissions reduction pathway, in line with the Institutional Investors Group on Climate Change Net Zero Investment Framework. This is due to be reflected in formal changes to the investment managers' guidelines in the coming year.

The investment managers are incentivised to perform in line with expectations for their mandate as their continued involvement within the Fund's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations.

Taskforce on Climate-Related Financial Reporting (TCFD)[2]

The Fund reports its overall performance in relation to its climate objectives through its annual TCFD reporting disclosure. This document provides detailed summary and assessment of the Fund's governance, strategy, risk management, metrics and targets in relation to the TCFD framework.

Investment Sub-Committee

To ensure effective decision-making, the Investment Sub-Committee monitors and leads on investment issues. In the year under review, this Sub-Committee was chaired by Ragveer Brar, and Anne Glover when Ragveer Brar was not able to attend, and comprises five Trustee Directors. The Sub-Committee oversees the investment management function and makes recommendations to the Trustee and has some delegated authority.

1. https://mybankofenglandpension.equiniti.com/.
2. https://mybankofenglandpension.equiniti.com/schemeinformation.

Administration and Governance Sub-Committee

The Trustee delegates oversight of the administration of benefits (including by the Trustee's third-party service provider), development of policies, discretionary decisions, and the discharge of certain other Trustee functions to an Administration and Governance Sub-Committee. The Trustee seeks professional advice where necessary to ensure this is done in compliance with relevant legislation and the Fund's Trust Deed and Rules. In the year under review, this Sub-Committee was chaired by Amy Petersen, Jonathan Curtiss and now Stephanie Ives, and comprises five Trustee Directors. The Committee also manages the service provided by the Pension Trustee Support Unit (PTSU).

Custody arrangements

Northern Trust is the Fund's appointed Custodian. Northern Trust manage the banking services between the investment managers and the Fund, as well as providing other custodial services on behalf of the Trustee.

Securities held within custody accounts run by Legal & General, Insight and J.P. Morgan are registered in the name of Northern Trust's own nominee company, but with the Fund identified as the beneficial owner. Separate custody arrangements have been made in relation to the Aviva portfolio depending on the specific individual assets and the part of the sub-portfolio they are held within.

Where appropriate, the Custodian may appoint as its agent one or more sub-custodians located in any part of the world to hold the assets of any separate account established by the Client for investment in foreign securities.

Investment management of assets

The Fund's investment strategy consists of the following mandates:

1. Liability Driven Investment ('LDI') mandate managed by Legal & General.

2. Liquid investment grade bond mandate managed by Insight.

3. Liquid investment grade bond mandate managed by J.P. Morgan.

4. Illiquid secure income mandate managed by Aviva.

5. Residual assets managed by Knightsbridge Investors and Abbotstone Fund Managers.

Legal & General has been the investment manager of the majority of Fund assets since 17 July 2007. The investment objective is to aim to match the liability cashflows as updated by the Trustee from time to time.

The Insight and J.P. Morgan mandates were implemented on 2 September 2021 and 27 August 2021, respectively. The investment objective of both of these mandates is to provide stable long-term returns above gilts.

The Aviva mandate began implementation on 24 January 2022 and was funded through a series of drawdowns. The full scheduled drawdown of capital was completed on 9 January 2023 with some residual assets held in money market funds as the final investments are completed. The investment objective is to provide stable, long-term returns above gilts.

The Fund also has residual holdings with Knightsbridge Investors and a holding with Abbotstone Fund Managers which are being wound down with cash returned to investors, including the Fund.

The Fund's liability hedging strategy

The Pension Fund seeks to ensure that the sensitivity of the value of its investments to interest rates and inflation matches the sensitivity of the value of its liabilities respectively. In the main, this hedging is achieved by investing in physical inflation-linked securities. However, in order to ensure a high level of hedging across the maturity spectrum, the Fund also enters into interest rate and inflation swaps as well as gilt repurchase agreements. To give a sense of scale, as at 31 December 2023, 99.7% (2022: 96%) of the investment portfolio's sensitivity to interest rates was generated by physical bond assets and 90.0% (2022: 90%) of the sensitivity to inflation was generated by physical inflation-linked bonds.

The derivative contracts (represented at any point in time by their mark-to-market value) are collateralised so that any credit exposure borne by the Fund is minimised. To the extent that the mark-to-market value of the Fund's derivatives is negative (which would be offset by a reduction in the mark-to-market value of the Fund's liabilities) the Fund deposits collateral (cash or securities) with its commercial bank counterparties. The need to do this in certain situations generates liquidity risk which, while carefully managed, is immaterial in comparison to the Fund's holdings of cash and gilts, either of which can be used as collateral. Guidance from the Pensions Regulator requires that pension funds should have sufficient collateral to absorb at least a 300–400 basis points (3%–4%) yield change. The Fund has negligible net derivative exposure to interest rates and in relation to inflation hedging has sufficient collateral to absorb a 630 basis points (6.3%) change in long-dated implied inflation, as at 31 December 2023.

The Pension Fund uses derivatives as a risk mitigation tool and not to generate leverage or to enhance return.

Investment manager/ asset class	29 February 2024 £000	29 February 2024 Percentage of total investments	28 February 2023 £000	28 February 2023 Percentage of total investments
Legal & General LDI Portfolio[a]	2,222,937	66.5	2,162,416	64.7
Aviva Global Secure Income[b]	437,932	13.1	447,327	13.4
J.P. Morgan Liquid Investment Grade Credit[c]	383,445	11.5	370,946	11.1
Insight Liquid Investment Grade Credit[c]	394,563	11.8	379,126	11.4
Overseas pooled investments[d]	501	0.0	654	0.0
AVCs	939	0.0	1,082	**0.0**
Cash and other investment balances[e]	(98,148)	(2.9)	(20,074)	**(0.6)**
Total	**3,342,169**	**100.0**	**3,341,477**	**100.0**

(a) The Legal & General LDI Portfolio invests in UK fixed-interest gilts, UK index-linked gilts, UK other index-linked securities, derivatives and cash. 'LDI' is also referred to as 'Liability Driven Investment'.
(b) The Aviva Secure Income mandate exposure is obtained through two separate pooled funds, which subsequently obtain exposure to illiquid fixed-interest securities.
(c) The Insight and J.P. Morgan mandates are primarily invested in fixed-interest corporate bonds but can also have exposure to fixed-interest government bonds, derivatives and cash.
(d) Overseas pooled investments include holdings with Knightsbridge Investors and a holding with Abbotstone Fund Managers.
(e) Cash and other investment balances includes the cash holdings of each of the investment managers but does not include the Trustee bank account.

The funding level surplus has increased over the year to 29 February 2024. This has primarily been driven by asset outperformance on the Fund's credit assets which has offset the fall in the liability hedging assets which fell in value as a result of gilt yields increasing over the period.

The table below shows the total return of the portfolios managed by each investment manager during the year to 29 February 2024.

	Performance (%)[(a)]			
Investment manager	**One year[(b)]**	**Three year[(b)]**	**Five year[(b)]**	**Since inception**
Aviva Global Secure Income[(c)]	4.4	n/a	n/a	(4.1)
Insight Liquid Investment Grade Credit[(d)]	7.2	n/a	n/a	(5.3)
J.P. Morgan Liquid Investment Grade Credit[(e)]	6.7	n/a	n/a	(3.3)
Legal & General LDI portfolio	(3.9)	(14.6)	(7.3)	3.1
Total	**(0.4)**	**(10.9)**	**(5.0)**	**3.9**

(a) Performance is annualised for performance periods greater than one year.

(b) The total performance of the assets over the various time periods has been calculated based on historic performance figures provided by Legal and General from the period 17 July 2007 to 31 August 2021, performance provided by Northern Trust for the period 1 September 2022 to 28 February 2023 and performance calculated by XPS using data provided by the investment managers for the period 1 March 2022 to 29 February 2024.

(c) Aviva are only able to provide performance information to quarter-end dates, which is lagged due to the nature of the underlying assets. As such, the performance shown is as at 31 December 2023, which is the most recent available. The three-year and five-year performance is not available as the portfolio inception date was 24 January 2022.

(d) Three-year and five-year performance is not available for the Insight portfolio as the portfolio inception date was 2 September 2021.

(e) Three-year and five-year performance is not available for the J.P. Morgan portfolio as the portfolio inception date was 27 August 2021, although the client agreed a performance holiday with J.P. Morgan during the ramp-up period which ended on 28 February 2022. Thus, the since inception performance is shown from 28 February 2022.

Distribution of investments

The distribution of investments at the start and end of the year is shown on page 12.

Employer-related investments

There were no employer-related investments within the meaning of Section 40 (2) of the Pensions Act 1995 held at any time during the year.

Risk management

The Trustee Board has responsibility for internal controls and risk management. The Trustee is committed to identifying, evaluating and managing risk to the Fund and to implementing and maintaining control procedures to reduce significant risks to an acceptable level.

In order to meet this responsibility a Risk Register is maintained and its purpose is to:

- highlight the scope of the risks to which the Fund is exposed and the tolerance which the Trustee (and the Bank) have for those risks;
- rank those risks in terms of likelihood and impact; and
- identify management actions that are either currently being taken, or that it is believed should be taken, in order to mitigate the identified risks to an acceptable level.

The Risk Register is reviewed by the Sub-Committees and the Trustee Board on a quarterly basis. In line with the Pension Regulator's guidance on integrated risk management, the Risk Register has been revised to meet best practice.

The main risks to which the Fund is exposed are:

Mortality risk – the assumptions make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Fund and consequently increases in the Fund's liabilities. In liaison with the Bank, the Trustee reviews the Fund's mortality experience at each annual actuarial valuation and assumptions about future mortality are updated at each formal triennial actuarial valuation to minimise the risk of underestimating the Fund's obligations.

Credit risk – this is the risk that investment fails to make a contractual payment and generates a loss. In extreme cases this could mean it is not possible for the Fund to meet its long-term liabilities. The Trustee employs carefully mandated asset managers to invest on behalf of the Fund within strict and conservative risk parameters.

Market risk – this comprises currency risk, interest rate risk and other pricing risks:

- Interest rate risk: the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

- Inflation risk: the majority of the Fund's liabilities increase in line with inflation, therefore if inflation is higher than expected, the liabilities will increase at a faster pace than anticipated. The Fund's obligations consist of both RPI and CPI-linked liabilities. The Fund is hedged with RPI-linked assets.

- Currency risk: the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

- Other price risk: the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Climate change risk – this is the risk of adverse impacts on the Fund from both climate change and the necessary reduction in global carbon emissions. The Trustee has defined its investment beliefs in relation to climate change and pursues an investment strategy aligned to the achievement of net zero carbon emissions by 2050.

Operational risk – this comprises administrative processes, cyber security, data protection systemic failures:

- Administrative risks: the risk of failure in the processes of calculating benefits resulting in errors. The Administration and Governance Sub-Committee monitors this closely on a quarterly basis and monthly calls are held between the PTSU and the administrators of the Fund. Comprehensive manuals are maintained and administrators are trained on them, which is all geared at ensuring robust structures are in place and procedures followed to prevent failures.

- Cyber security: the risk of a cyberattack or systemic failure on third-party systems or internal Bank systems. The Fund has a comprehensive controls framework and disaster recovery plans in place with all advisers which are reviewed by the Bank's IT Security team.

- Data protection: the risk of mishandling of data or data being held insecurely and not in accordance with the Data Protection statutory requirements. The Trustee (and Bank) take the protection and privacy of members' data seriously and is committed to controlling and processing data in a way that is consistent with the principles set out in data protection laws. Likewise, all third-party adviser contracts reflect their responsibility to store and handle data in accordance with those laws.

Statement of the Trustee's Responsibilities

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties audited financial statements for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports or Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;

- using the going concern basis of accounting unless it either intends to wind up the Fund, or has no realistic alternative but to do so; and

- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the Statement of Trustee's Responsibilities accompanying the Trustee's Summary of Contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Fund and financial information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active Members of the Fund and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active Member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

Administration and other professional support services

Administration of the Fund is delegated by the Trustee to the People Division of the Bank, and the Bank has sub-delegated the administration to a third-party provider, Equiniti Paymaster. The pension administration service was contracted to Equiniti Paymaster in 2012, and in 2019 the contract was extended by up to a further 10 years.

The administration of the Fund includes keeping Members' records and the calculation and payment of Members' benefits. The responsibility for the Bank's Fund benefit design and the operation of day-to-day pension administration remains with the Bank.

The PTSU supports the Trustee in carrying out its responsibilities for governance, including relationships with the external investment managers and other advisers. Zedra Inside Pensions have been providing secretarial support services to PTSU and the Trustee since September 2018 and were appointed as Secretary to the Fund from 1 March 2021.

Previously the Finance Division of the Bank maintained the financial records of the Fund and produced the Annual Financial Statements. From October 2023 this service transferred to Equiniti Paymaster. The Trustee has a Service Level Agreement in place and this Agreement is monitored regularly to ensure compliance and periodically reviewed to ensure that it remains appropriate.

John Batting, as the Fund Actuary (assisted by his team at XPS Pensions) continues to provide actuarial advice and assistance and XPS Investment Limited are investment advisers to the Fund and help the Trustee monitor the performance of the investment managers, Legal & General, Aviva, J.P. Morgan and Insight. Custody of the Fund's assets are provided by Northern Trust.

Crowe U.K. LLP continued to be the independent auditors to the Fund with Andrew Penketh appointed as the Audit Partner to the Fund.

Service Level Agreements are in place with the investment managers, Custodian, and Equiniti Paymaster.

The Administration and Governance Sub-Committee meets quarterly with the Equiniti Paymaster management team, or more often as required, to review the services provided prior to the quarterly formal meetings with the Trustee Board. In addition, the PTSU meet with the administration team at Equiniti Paymaster on a monthly basis to review the service provisions and any small project matters. As in previous years, the Bank met the cost of providing these services to the Trustee, except for any investment management or custody services costs, which were met by the Fund. The Trustee keeps all the costs associated with the running of the Fund under close review.

Preparation and Review of Financial Statements

The Trustee confirms that the Financial Statements have been prepared and audited in accordance with regulations made under Sections 41(1) and (6) of the Pensions Act 1995. In addition, the report is fully compliant with the Statement of Recommended Practice (2018) requirements as issued by the Pensions Research Accountants Group (PRAG).

The Independent Auditor's Report on the Financial Statements appears on pages 35–38. The Independent Auditor's Statement about Contributions appears on pages 60–61. The Financial Statements themselves, and notes thereon, are on pages 39–59.

Information to Members

All employees are provided with a Career Average Section booklet, which summarises the main benefits for Members. The booklet is also available on the Bank's intranet. Individual benefit statements are provided to all serving Members (as part of their Total Reward Statement) and updated three times a year. Information to all other Members is on request. All Members have access to the Pension Fund Update report (a summary version of this document) as well as the annual Summary Funding Statement, both of which can be found on the Member self-service portal.

All Members are notified of the functions of the Pensions Ombudsman and The Pensions Regulator. Members have also been informed that the Fund is registered with The Pension Tracing Service, under registration number 10007558.

The Trust Deed and Rules may be seen in the office of the PTSU. Any enquiries relating to the management of the Fund should be addressed to that Unit. Enquiries about individual Member benefit entitlements should be directed to Equiniti Paymaster at **bankofengland@equiniti.com** or on 0203 048 1997.

Membership of the Career Average Section

	Active Members	Deferred Members	Pensioners	Dependants receiving allowances	Total
At 1 March 2023	5,122	2,150	175	30	7,477
Adjustments[(a)]	73	(75)	1	–	(1)
New entrants/ Waiting period	727	103	–	–	830
New deferred	(303)	303	–	–	–
Deaths	(1)	–	–	–	(1)
Retirements	(7)	(23)	30	–	–
Transfers out	(53)	(59)	–	–	(112)
No liability	(42)	(5)	–	–	(47)
At 29 February 2024	**5,516**	**2,394**	**206**	**30**	**8,146**

(a) Adjustments include for example, late notification of changes in Member status since the end of the previous year, or pension credit Members.

Membership of the Final Salary Section

	Deferred Members (salary link)	Deferred Members	Pensioners	Dependants receiving allowances	Total
At 1 March 2023	555	2,803	5,338	1,124	9,824
Adjustments[(a)]	8	(14)	(30)	(4)	(40)
New allowances	–	–	1	49	50
New deferred pensioners	(16)	18	–	–	–
Deaths	(1)	(1)	(168)	(89)	(259)
Full commutations	(1)	(15)	–	–	(16)
Retirements	(15)	(124)	139	–	–
Transfers out	(1)	–	–	–	(1)
No liability	–	–	–	(1)	(1)
At 29 February 2024	**529**	**2,667**	**5,280**	**1,083**	**9,559**

(a) Adjustments include for example, late notification of changes in Member status since the end of the previous year, or pension credit Members.

Membership numbers reflect benefits payable; some Members are in receipt of two benefits, eg pensioners who also qualify for spouse's allowances.

Deferred members (salary link) are those members who ceased Final Salary accrual but receive a CARE pension accrual due to One Bank Your Reward, as at 1 April 2015, but retain a link to final salary while remaining in employment.

Membership of the Court Section

	Active Members	Deferred Members	Pensioners	Dependants receiving allowances	Total
At 1 March 2023	–	2	17	6	25
Deaths	–	–	(1)	(1)	(2)
At 29 February 2024	**–**	**2**	**16**	**5**	**23**

Finances of the Fund

The Fund is one of the larger funded schemes in the United Kingdom and is mature in the sense that the number of pensioners and deferred pensioners is much greater than the number of current active Members.

Development of the Fund during the Fund year

The Financial Statements for the year to 29 February 2024 are presented on pages 38–40. During the year the total net assets of the Fund increased from £3,364.2mn to £3,381.5mn. The market value of assets held decreased by £86.9mn (2023: decreased by £1,783.3mn), investment management charges were £2.2mn (2023: £2.4mn) and investment income was £78.8mn (2023: £42.5mn). These movements, together with the contributions and benefit payments mentioned below, gave a total increase in the value of the Fund of £17.3mn (2023: decrease of £1,743.2mn).

Bank contributions in the year totalled £155.2mn (2023: 137.2mn).

Benefits payable to Members increased during the year from £115.0mn to £124.7mn. Details of the annual increase in pensions are given on page 25. Payments to leavers decreased from £8.0mn to £2.9mn, relating to fewer Members electing to transfer their pensions out of the Fund.

Taxation

The Fund is a registered scheme under the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Report on Actuarial Liabilities

Under Section 224 of the Pensions Act 2004, every scheme such as the Fund is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee Directors and the Bank and set out in the Statement of Funding Principles, which is available to Members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 28 February 2023. This showed that on that date:

The value of the Technical Provisions was: £2,971mn.
The value of the assets at that date was: £3,364mn.[3]

The method and significant actuarial assumptions used to determine the technical provisions are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefit Method.

Significant actuarial assumptions

Future Consumer Price inflation: The assumption for the future CPI increases has been set at 2.0% per annum.

Future Retail Price inflation: The assumption for the future RPI increases has been set in line with reference to CPI allowing for the outcome of the consultation to align RPI with CPIH in 2030.

The RPI assumption is therefore:

- 3.0% per annum (CPI plus 1% per annum) pre 28 February 2030; and

- 2.0% per annum (CPI plus 0% per annum) post 28 February 2030.

Discount interest rate: The discount rate for calculating the technical provisions has been set with reference to the real yields available on index-linked gilts as at the valuation date, based on the yield curves published by the Bank, and added to the RPI assumption at each duration.

The Trustee Directors have added an additional 0.3% per annum to reflect a prudent future return on the assets held.

Pension increases: As per the RPI and CPI assumptions above. For deferred and pensioner CARE liabilities uncapped CPI increases are assumed and for Final Salary pensions and accruing CARE liabilities, uncapped RPI increases are assumed.

3. Includes £1mn AVCs secured on a Money Purchase basis.

Pay increases: Under the Defined Accrued Benefit Method, the assumed rate of future salary increases does not usually impact the assessment of technical provisions. However, the Trustee Directors and Bank have agreed to make an adjustment to the past service liabilities calculated under the defined accrued benefit method and have allowed for in-service increases rather than deferred pension revaluations over the three-year period to the next valuation (ie to 28 February 2026) to help smooth the annual contributions.

Salary increases have been assumed to be in line with the rates below, as supplied by the Bank, plus a promotional salary scale:

- 2023/24 3.5%,
- 2024/25 3.0%,
- 2025/26 2.0%.

Mortality: The mortality base table adopted is the S3PA tables from Series 3 of the SAPS tables (based on the experience of members in Self-Administered Pension Schemes), centred in 2013. The probability of death in these tables is reduced by 8% for males (no adjustment for females) to reflect the higher expected life expectancy for male Fund members compared to the table as a whole. These adjustments were derived following a Fund-specific mortality investigation.

Future improvements in longevity are set in line with the Continuous Mortality Investigations (CMI) 2021 projections with the default smoothing parameter of 7.0, an initial addition of 0.2%, long-term rates of improvement of 1.75% per annum for males and 1.45% per annum for females, and 7.5% weighting to both 2020 and 2021 mortality experience.

Guaranteed Minimum Pension (GMP) equalisation reserve: The Trustee Directors are aware of the requirements to equalise benefits to reflect the inequalities in GMP. However, this process is not completed so it has been agreed to hold a reserve of 0.3% of total liabilities against the expected impact. This is in line with the impact estimated by the actuary.

Results from the actuarial valuation as at 28 February 2023 as set out above, were detailed in the full report prepared by the Scheme Actuary, a copy of which is available to Members on request. A summary of the results of the actuarial valuation has been provided to Members through the annual Summary Funding Statement. Full details of the contributions payable can be found in the Schedule of Contributions, a copy of which is available to Members on request.

On the assumptions adopted, the Fund's liabilities as at 28 February 2023 were valued at £2,971mn, which when compared to the assets of the Fund of £3,364mn, resulted in a funding surplus of £393mn; the funding level having therefore improved to 113% compared to the 104% disclosed in 2020.

Under the Defined Accrued Benefit Method, a contribution rate is not usually calculated in advance. Instead it is calculated each year to cover the cost of benefits accruing and any uplift to past service benefits linked to salary increases. However, as part of the 2023 valuation, the Trustee and Bank have agreed a contribution rate in respect of future accrual of benefits for a period of three years, although the rate actually payable by the Bank will be updated approximately each year to reflect changes in market conditions only. Further details of the rate and annual adjustment are set out in the Schedule of Contributions.

The Trustee and the Bank have agreed two further adjustments to the annual contribution rates, in respect of the surplus assets above a funding level of 110% and the overpayment of contributions in March 2023. A reduction will be applied to the contributions payable in each of 2024, 2025 and 2026; however, the annual contributions from the Bank will not be lower than £5mn in any year.

The Actuary's certification of the current Schedule of Contributions, as required by Section 227 of the Pensions Act 2004, appears on page 28.

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles, which is reviewed at intervals of not more than three years. Copies are available on the Member website.

The Implementation Statement contains information on the Trustee's policies in relation to financially material considerations over the appropriate time horizon of the investments, including the extent to which non-financial matters are taken into account in the selection, retention and realisation of investments; exercise of the rights (including voting rights) attaching to the investments; engagement activities; and the policies in respect of the arrangements with the asset manager.

Additional Voluntary Contributions (AVCs)

Benefits are not linked to final salary. Members' contributions are invested in a wide range of investments with The Prudential Assurance Company Limited, Standard Life Assurance Limited – or, in a few cases where Members decided not to participate in the bulk transfer in January 2002, with Utmost Life and Pensions Limited (formerly Equitable Life Assurance Society). Explanatory information about AVCs is available from the AskHR team in People Division at the Bank of England on request.

As part of the ongoing management and governance of the AVC funds, as a result of AVC Members choosing to transfer their AVCs and when funds cease to receive contributions or are fully disinvested, the Trustee Board and their advisers shall withdraw these unused funds from the AVC range. In conjunction with the One Bank – Your Reward proposals and the governance of AVCs, it was decided that no new contributions could be made from 1 April 2015.

Statements are sent annually to Members with remaining AVC policies in respect of their contributions and the accumulation of their funds.

Final Salary Section and Court Scheme Section pension increases and annual revaluation

Pensions and allowances in payment are reviewed by the Court of Directors of the Bank at least annually and are normally increased in line with the rise in the retail prices index in the year to May. They were increased by 11.3% from 1 July 2023 in line with the rise in the index in the year to 31 May 2023.

The increase granted to deferred pensions during the period before they are brought into payment depends upon the date on which the deferred pension was granted:

1. those granted on or after 1 March 1985 are increased at the same rate as pensions in payment. (For those granted on or after 1 January 1991, increases will not be less than are required by the Social Security Act 1990.)

2. those granted between 1 March 1974 and 28 February 1985 (both dates inclusive) are increased at the same rate as pensions in payment for the proportion of pension which results from service since 1 March 1974; and at half that rate in respect of any earlier service provided total service was 10 years or more.

3. those granted prior to 1 March 1974 do not receive an increase.

Career Average Section pension increases and annual revaluation

Pensions and allowances in payment are decided by the Court of Directors of the Bank at least annually. Pensions accrued in the Career Average Section were increased by 13.4% from 1 April 2023, in line with the rise in the retail prices index in the year to 31 January 2023.

Increases to deferred benefits and pensions in payment were increased by 10.1% from 1 April 2023, in line with the rise in the consumer prices index in the year to 31 January 2023.

Transfer values

Transfer values for Members leaving pensionable service during the year were calculated in accordance with the Pension Schemes Act 1993 (as amended by the Pensions Act 1995). No transfer values were reduced because of underfunding.

The Rules of the Fund have provided that deferred pensioners may transfer the value of their benefits to another approved scheme at any time before any benefits have been paid from the Fund. For Members who left on or after 1 January 1986, transfer values may also be used to purchase annuity contracts issued in accordance with Section 32 of the Finance Act 1981, or to enhance approved personal pensions. The Trustee will also consider applications from those who left before that date. The Fund has not permitted transfers from other approved schemes since 2006.

Trustees have obligations in relation to any person wanting to transfer a defined benefit pension of over £30,000 into a defined contribution arrangement; broadly, this can only proceed if the transferring member can provide evidence of independent financial advice.

The Trustee closely monitors transfer-related activity, keeping a check on how the administrator handles transfer requests; that regulations and guidelines are adhered to and that checks and processes are in place to protect Members from pension scams.

Pensions Ombudsman

Any query connected with the Fund should be referred to the Fund Secretary (see page 4 for contact details), who will try to resolve it as soon as possible. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme that are not satisfied with information or explanation given by the administrators or the Trustee Board can consult the Pensions Ombudsman, who can be contacted at:

10 South Colonnade, Canary Wharf, London, E14 4PU
0800 917 4485
helpline@pensions-ombudsman.org.uk
www.ombudsman.org.uk/make-a-complaint

Money and Pensions Service (MaPS)

The MaPS is a service which combines pension guidance, money guidance and debt advice. If you have general requests for information or guidance concerning your pension arrangements please contact:

The Money and Pensions Service
Borough Hall, Cauldwell Street, Bedford, MK42 9AP
0115 965 9570
contact@maps.org.uk
https://www.maps.org.uk/

Actuary certification of Schedule of Contributions

Name of scheme: Bank of England Staff Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 29 February 2020 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles prepared on 26 January 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Name: John Batting
Qualification: Fellow of the Institute and Faculty of Actuaries

12 February 2024

XPS Pensions Limited
Phoenix House,
1 Station Hill,
Reading, RG1 1NB

Bank of England Staff Pension Fund ('the Fund') Implementation Statement

Purpose

This statement provides information on how, and the extent to which, the Trustee's policies in relation to the exercising of rights (including voting rights) attached to the Fund's investments and engagement activities have been followed during the year ended 29 February 2024 ('the reporting year').

The Trustee's Responsible Investment Policy

As a long-term investor, the Trustee of the Fund believes that financially material environmental, social and governance ('ESG') issues can impact the value of financial assets and the ability to generate long-term sustainable returns. The Trustee recognises that taking these issues into consideration is consistent with the Trustee's fiduciary duty and needs to be integrated within the investment strategy and throughout the investment process. Further, the Trustee considers climate change to be a significant long-term financial and systemic risk that, if not managed, has the potential to negatively impact the value of the Fund's investments.

The Fund's investment strategy seeks to comprehensively recognise and manage risks relating to such matters. In setting and implementing the current strategy the Trustee received training and advice on ESG issues from its Investment Adviser, XPS Investment ('XPS'), and discussed its beliefs around these issues. The Trustee's policy is documented in the Statement of Investment Principles dated January 2021 (which the Trustee was in the process of updating at year-end) and a separate Responsible Investment policy dated September 2021. Additionally, the Trustee has documented a clear framework on its approach to managing climate risk within its Taskforce on Climate-Related Financial Disclosures ('TCFD') framework and in its TCFD report.

The Fund's assets are managed by four external investment managers. In taking a responsible approach to investing the Fund's assets, the Trustee requires its investment managers to consider the materiality and impact of ESG and climate change risks within the entire investment process including the selection, retention and realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

Similarly, the Trustee has delegated all stewardship activity to its investment managers, as it believes the managers are best placed to conduct stewardship given their expertise and access to company management. The Trustee expects its managers to engage on financially material ESG and climate change related issues alongside other financially material matters such as performance, strategy, risks, capital structure and conflicts of interest policies.

The Trustee has chosen to pursue a long-term strategy aligned to net zero by 2050. In order to achieve this, the Trustee has set a requirement of its liquid investment grade credit investment managers to have a carbon intensity not higher than their respective benchmarks at inception while working on an ongoing basis to aim to reduce the carbon intensity of the portfolio over time, with interim targets and a pathway aligned to established climate transition benchmarks. The Trustee formally monitors its managers against this as part of its TCFD reporting along with monitoring various relevant climate related metrics on the remaining portfolio.

Manager selection exercises

The Trustee recognises that one of the main ways in which their updated policies is expressed is via the appointment and retention of investment managers. In acknowledgement of the Trustee's Responsible Investment policy, a fundamental requirement for manager selection exercises are investment manager's abilities to incorporate ESG factors within their decision making to a high degree, while recognising that the level of ESG integration within the investment processes is dependent on the asset class in question. The Trustee seeks advice from XPS on the extent to which the Trustee's views on ESG and climate change risks may be taken into account when appointing or reviewing investment managers.

During the reporting year no new investment managers were appointed and no manager selection exercises took place.

Stewardship is a key element of the manager selection due diligence process and the Trustee expects its investment managers to adhere to the principles of the UK Stewardship Code ('the Code') through engagement with investee companies and the exercise of voting rights. When undertaking the manager selection exercise in 2021, a key requirement was whether the managers in question were signatories to the UK Stewardship Code. The Trustee continues to monitor this as part of ongoing governance and as at the end of the reporting year all of the Fund's investment managers are Signatories to the Code.

Ongoing governance

The Trustee, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers regularly, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this statement.

During the reporting year, The Trustee commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of each mandate, the manager's climate change analysis capability as well as the effectiveness and extent of stewardship activities. The Trustee recognises that each of these aspects will differ dependent on the asset class in question. In relation to stewardship, the report rated the stewardship capabilities of Insight, J.P. Morgan and Legal & General Investment Managers (LGIM) as 'Green' and Aviva as 'Amber'. The Trustee is therefore confident in the capabilities of the investment managers to undertake effective engagement on its behalf, noting that improvement is possible for Aviva, and will commission an updated report from XPS in the next reporting year.

Beyond the governance work currently undertaken, the Trustee expects that its approach to, and policy on, ESG and stewardship matters will continue to develop and evolve over time reflecting progress across the wider industry, so as to pursue a market leading responsible investment approach. In particular, while the Trustee has not, to date, introduced specific stewardship priorities, they will monitor the results of the stewardship activity deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.

The Trustee proactively monitors progress against the net zero strategy and carbon reduction pathway, and will engage with managers on any deviation from the desired emission reduction.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee was satisfied that it followed its policy on the exercise of rights and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Fund had no investments in equities as part of the strategy over the reporting year. Therefore, there are no voting activities to report in this section.

Engagement

Engagement is an effective method of driving long-term positive change in company policies and practices and is applicable across all asset classes, as a means of effectively managing risks relating to ESG and other issues within the investment portfolios. Examples of engagement activity which occurred over the year in respect of each investment manager are outlined below:

Insight

Entity: Shell.

Issue: Shell revised its investment programme to keep oil production flat through to 2030, a change to from the previous intention to reduce oil production by 1%–2% per year by 2030 and by 55% by 2050 under the former Chief executive officer's plan. The objectives of the engagement were to obtain additional detail on Shell's revised strategy and the impact, if any, on the company's long-term greenhouse gas (GHG) reduction objectives, and to suggest Shell improves its carbon disclosure framework to ensure enhanced transparency around GHG progress given the company's newly announced strategy.

Engagement and outcome: Insight asked if Shell can still meet its decarbonisation goals despite the change in targets. Shell believes its Scope 1 and 2 targets and carbon intensity targets are still achievable, but more challenging as the updated plan means the company will sell less MWh of renewable power. Also, Shell was unable to answer if this new approach is aligned with a 1.5˚C warming scenario.

Insight also discussed an objective from a previous engagement, which focused on Shell setting an absolute Scope 3 target – Shell explained its management team questioned the merits of setting an absolute Scope 3 target given this could be achieved via divestments. Shell wish to avoid this as it will not change customer behaviour and it reduces Shell's ability to interact with customers and deliver lower-carbon fuel to meet customer needs. However, given the pressure from investors, the company is currently looking into setting an absolute Scope 3 emissions target. Insight reiterated that they believe Scope 3 emissions targets are crucial to achieving net zero and that targets should be supported by transparent disclosures on how a company plans to achieve Scope 3 emissions reductions and how they are ensuring that assets will be managed in a sustainable manner following divestment.

Shell emphasised that other targets set would remain unchanged, but it was not able to provide any further details to show how it would meet its other targets or its 2050 net-zero goal. Shell confirmed an updated energy transition plan will be released in 2024 which will have further details. Insight noted they will examine this closely and renew the engagement.

J.P. Morgan

Entity: Schneider Electric SE.

Issue: Schneider has a roadmap towards a net zero value chain (covering Scope 1, 2 and 3 GHG emissions) with long-term goals as well as short and medium-term milestones. Schneider's goals are to achieve carbon neutral operations by 2025, a 25% absolute GHG reduction across their entire value chain by 2030, carbon neutrality across their entire value chain by 2040 and net zero CO_2 emissions across their value chain by 2050. The 2030 and 2050 targets have been validated by the Science Based Targets initiative.

Engagement and outcome: While Schneider have set net-zero goals as outlined above, these cover the entity as a whole and do not provide granularity across business units, product-levels or regions. These details are an important aspect of target setting and ensuring transparent disclosures hence J.P. Morgan requested this enhanced reporting granularity for Schneider's Scope 1, 2 and 3 GHG emissions. Schneider confirmed they will take this on board.

LGIM

Entity: UK Government and related organisations.

Issue: Given LGIM's scale in the gilt market, they believe they are able to engage effectively with the Government and policymakers, and have been engaging on green gilts since 2020, having initially collaboratively engaged to encourage the integration of social impact programmes into the green gilt mandate. In 2021 LGIM contributed to the Investment Association's position paper on green gilts, where they asked for an audit committee with representation from the Government and investors to review the use of proceeds and their impact. In March 2023, the UK Government reaffirmed its commitment to the Green Financing Programme, announcing plans to issue £10bn of green gilts in the financial year 2023/24.

Engagement and outcome: LGIM have continued to engage on the green gilt market, most recently via a Green Financing Roundtable sharing industry experience and concerns with the Economic Secretary. As part of this LGIM advocated the importance of improved finalised sustainable finance regulation (UK Taxonomy and SDR) for green gilts, noting that without these tools it makes it challenging for investors to evaluate the green credentials of the assets and determine their application in portfolios.

LGIM proposed the use of a KPI structure focused on carbon reduction which would simplify and provide consistency with investors' net zero objectives. In September 2023, the DMO published its 2022–23 Allocation and Impact Report which includes details on capital allocated and emissions avoided through the allocation of capital raised by green gilts.

Aviva

Entities: Bournemouth University, Coventry University, University of Inverness.

Issue: Across Aviva's investments with the universities of Bournemouth, Coventry and Inverness, Aviva have focused engagement activities on climate change. Engagements have focused on a variety of issues including a net zero due diligence audit of a tenant's demise which Aviva undertook and the proposed recommendations for improvements, refurbishments taking place and the potential to align these works with net zero, and discussions in relation to potential green leases (such as the sharing of energy usage information).

Engagement and outcome: Discussions are ongoing with each of the universities.

Independent Auditor's Report to the Trustee of the Bank of England Pension Fund

Opinion

We have audited the Financial Statements of the Bank of England Staff Pension Fund ('the Fund') for the year ended 29 February 2024 which comprise the Fund Account, the Statement of Net Assets and the related notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 29 February 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

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. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's Ethical Standard, 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 Trustee's 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 Fund's ability to continue as a going concern for a period of at least 12 months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this Report.

Other information

The Trustee is responsible for the other information contained within the Annual Report. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the statement of Trustee's responsibilities set out on pages 16–18, the Trustee is responsible for the preparation of the Financial Statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 Trustee 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 Trustee either intends to wind up the Fund 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the Financial Statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias

- Misappropriation of investment assets owned by the Fund. This is addressed by obtaining direct confirmation from the investment managers and the Custodian of the investments held at the Statement of Net Assets date.

- Diversion of assets through large investment transactions. A sample of transactions within an investment transition were agreed to trustee authorisation.

- Non-receipt of contributions due to the Fund from the employer. This is addressed by testing contributions due are paid to the Fund in accordance with the schedule of contributions agreed between the employer and Trustee.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: **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 Fund's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our audit work, for this Report, or for the opinions we have formed.

Crowe U.K. LLP
Statutory Auditor
London

6 September 2024

Bank of England Pension Fund Fund Account for the year ended 29 February 2024

	Note	2024 (£000)	2023 (£000)
Contributions and benefits			
Employer contributions receivable	4	155,230	137,201
Member contribution receivable	4	5	8
		155,235	**137,209**
Benefits payable	5	[124,685]	[115,143]
Payment to and on account of leavers	6	[2,953]	[7,958]
		[127,638]	**[123,101]**
Net additions from dealings with Members		27,597	14,108
Returns on investments			
Investment income	7	78,813	42,514
Investment management expenses	8	(2,228)	(2,475)
Change in market value of investment	10	(86,872)	(1,783,298)
Net returns on investments		**(10,287)**	**(1,743,259)**
Net increase/(decrease) in the fund during the year		**17,310**	**(1,729,151)**
Net assets of the Fund at the beginning of the year		**3,364,150**	**5,093,301**
Net assets of the Fund at the end of the year		**3,381,460**	**3,364,150**

Statement of Net Assets (available for benefits) as at 29 February 2024

	Note	2024 (£000)	Restated 2023 (£000)
Investment assets			
Bonds	10	2,933,301	2,963,338
Pooled investment vehicles	11	472,631	488,862
Derivatives	12	170,637	123,139
AVC Investments	13	939	1,082
Cash and cash equivalents	14	39,463	30,721
Other investment balances	14	27,160	160,022
		3,644,131	**3,767,164**
Investment liabilities			
Derivatives	12	(81,795)	(104,564)
Cash and cash equivalents	14	(103,343)	(27,190)
Other investment balances	14	(61,708)	(179,875)
Amounts payable under repurchase agreements	15	(55,116)	(114,058)
		(301,962)	**(425,687)**
Total net investments		**3,342,169**	**3,341,477**
Current assets	19	40,118	26,532
Current liabilities	20	(827)	(3,859)
Net assets of the Fund at the end of the year		**3,381,460**	**3,364,150**

The accompanying notes on pages 42 to 59 form an integral part of these Financial Statements.

The Financial Statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Trustee Report included in the Annual Report, and these Financial Statements should be read in conjunction with them.

The Financial Statements on pages 39 to 59 were approved by the Trustee on 6 September 2024 and signed on its behalf by:

Anne Glover	Mark Cornelius
Chair	Trustee Director

Notes to the Financial Statements

1: Basis of preparation

The Financial Statements have been prepared on a going concern basis and in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

2: Identification of the Financial Statements

The Fund is established as a trust under English law. The address for enquiries to the Fund is: Pension Trustee Support Unit, Bank of England, Threadneedle Street, London, EC2R 8AH.

3: Accounting policies

The following principal accounting policies have been applied consistently in the preparation of the Financial Statements.

Investments

Investments are included at fair value.

Quoted securities are valued on the basis of the bid price on the relevant exchange. Unquoted securities are included at fair value based on valuations provided by fund managers or their third-party agents. Accrued interest is excluded from the market value of fixed-interest securities and index-linked securities but is included in investment income receivable.

Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price as advised by the investment managers.

Derivative contracts are valued at fair value. The fair value, being the unrealised profit or loss on the contracts, is shown as a separate line within investments. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts' changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income the change in fair value is included in investment income.

The fair value of the interest rate swaps and currency swaps is calculated using pricing models based on the market price of comparable instruments at the year-end date if they are publicly traded. Interest is accrued monthly on a basis consistent with the terms of the contract. The amounts included in change in market value are the realised gains and losses on closed contracts and the unrealised gains and losses on open contracts. Net receipts or payments on swap contracts are either reported in investment income (where the economic purpose relates to income) or change in market value (where the economic purpose relates to assets).

The fair value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

The fair value of future contracts is stated using pricing models and relevant market data as at the year-end date.

For repurchase agreements, the Fund continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

The change in market value of investments is accounted for in the year in which it arises and includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

AVC investments are included at the values provided by the AVC investment managers.

Investment income

Investment income is accounted for as follows:

- Interest on bonds is accounted for on an accruals basis;

- Net interest income on cash deposits is accounted for on an accruals basis;

- Investment income includes United Kingdom and overseas tax recoverable in respect of the year.

- Income arising from the underlying investments of the pooled investment vehicles that is reinvested in the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value. All other income arising from pooled investment vehicles is taken into account on an accruals basis.

- Net receipts or payments on swap contracts are either reported in investment income (where the economic purpose relates to income) or change in market value (where the economic purpose relates to assets).

Foreign currencies

Investments denominated in foreign currencies are translated at closing spot rates into their sterling equivalents at the year end.

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

The Plan's functional and presentational currency is pounds sterling.

Contributions

Employer's contributions are paid annually at the beginning of each financial year, and are recognised based on the due date set out in the Schedule of Contributions.

Additional voluntary contributions from the Members are accounted for on an accruals basis in the month they are deducted from the payroll.

Benefits

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

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund as appropriate.

Transfer values

Transfer values represent the capital sums paid to other pension schemes for Members who have either left the Fund or are subject to pension sharing orders. Individual transfers are accounted for when paid and pension sharing orders are accounted for based on the date of the court order.

Administration expenses

Administration expenses are paid for by the Bank of England.

Investment management expenses

Investment management expenses are accounted for on an accruals basis. Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees.

4: Contributions receivable and transfers in

	2024 (£000)	2023 (£000)
From Employers		
Normal	155,230	137,201
From Members (AVCs)		
Added years	5	8
	155,235	**137,209**

The Bank of England pays the full contributions required to fund the benefits by March of the current financial year. In line with the Schedule of Contributions a normal contribution at the rate of 52.2% (2023: 52.2%) of pensionable earnings was paid.

Added years AVCs relate to the purchase of additional pensionable service by Members that entered into a contractual agreement prior to 11 May 2006. This agreement was withdrawn for new members after that date. Contributions being made directly to AVC arrangements were operated in the year by Utmost Life and Pensions Limited, Standard Life Assurance Limited and The Prudential Assurance Company Limited (see also Note 13).

The Fund has not permitted transfer in from other approved schemes since 2006, apart from a special concessions (from 1 April 2015 to 31 March 2016) for transferring employees from the Financial Services Authority. Payments into the Legal & General supplementary plan are permitted to legacy AVC payers who ceased making AVCs to the arrangements operated by Utmost Life and Pensions Limited, Standard Life Assurance Limited and The Prudential Assurance Company Limited, and are accounted for under transfers in.

5: Benefits payable

	2024 (£000)	2023 (£000)
Pensions payable	115,593	106,728
Commutations	7,805	7,716
Payment on death of Members	1,284	702
Taxation where lifetime or annual allowance exceeded	3	(3)
	124,685	**115,143**

6: Payments to and on account of leavers

	2024 (£000)	2023 (£000)
Transfers out	2,953	7,958
	2,953	**7,958**

7: Investment income

	2024 (£000)	2023 (£000)
Income from bonds	50,392	47,231
Income from pooled investment vehicles	25,601	8,025
Net income from derivatives	6,979	17,855
Net interest on cash deposits	(1,885)	424
Loss on foreign exchange	(261)	(30,353)
Interest on repurchase agreements	(2,013)	(668)
Total income	**78,813**	**42,514**

8: Investment management expenses

	2024 (£000)	2023 (£000)
External investment management charges	2,353	2,475
Rebates	(125)	–
	2,228	**2,475**

9: Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

10: Reconciliation of investments

	Note	Restated 2023 (£000)	Purchases at cost and derivative payments (£000)	Sales proceeds and derivative receipts (£000)	Change in market value (£000)	2024 (£000)
Bonds		2,963,338	208,605	(155,772)	(82,870)	2,933,301
Pooled investment vehicles	11	488,862	465,573	(472,260)	(9,544)	472,631
Derivatives	12	18,575	5,879,690	(5,814,955)	5,532	88,842
AVC investments	13	1,082	–	(153)	10	939
		3,471,857	**6,553,868**	**(6,443,140)**	**(86,872)**	**3,495,713**
Cash	14	3,531				(63,880)
Other investment balances	14	(19,853)				(34,548)
Amounts payable under repurchase agreements	15	(114,058)				(55,116)
		3,341,477			–	**3,342,169**

The change in market value of investments comprises realised and unrealised gains and losses during the year. It also includes increases in separately invested AVC funds, whether arising from interest, bonuses, or change in the value of underlying investments.

Transaction costs incurred during the year amounted to £6.8mn (2023: £6.8mn). In addition to any transaction costs, indirect costs are incurred through the bid-offer spreads on investments within pooled investment vehicles. The amount of indirect cost is not separately provided to the Fund.

The forward currency contracts, previously classified as within Cash and Other Investments, have been reclassified to derivatives. The prior year forward currency contracts of (£3,752,045) have been reclassified accordingly.

The following investments have a value representing more than 5% of the net assets of the Fund as at the year-end date:

		2024 (£000)	2023 (£000)
Aviva Luxembourg Private Debt Fund		336,597	334,171
Network Rail index linked 1.375%	22/11/2037	324,002	320,499
Network Rail index linked 1.75%	22/11/2027	221,266	208,264
Network Rail index linked 1.125%	22/11/2047	189,255	197,571

11: Pooled fund analysis

	2024 (£000)	2023 (£000)
Private equity funds	501	654
Alternative funds	101,335	113,156
Cash funds	34,198	40,881
Sole investor	336,597	334,171
	472,631	**488,862**

The alternative funds relate to the Aviva Realm Commercial Assets fund.

The Sole Investor Fund is held within Aviva. The sole investor comprises of:

	2024 (£000)	2023 (£000)
Aviva Luxembourg Private Debt Fund		
Bonds	292,679	215,344
Cash	43,918	118,827
	336,597	**334,171**

12: Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Fund. At the year end the Fund had the following derivatives:

	2024		2023	
	Assets (£000)	Liabilities (£000)	Assets (£000)	Liabilities (£000)
Swaps	169,687	(79,693)	120,128	(97,669)
Futures	516	(1,382)	1,903	(2,035)
Forward currency contracts	434	(720)	1,108	(4,860)
	170,637	**(81,795)**	**123,139**	**(104,564)**

One of the Trustee's aims is to match as far as possible the Liability Driven Investment portfolio and the Fund's long-term liabilities, in particular in relation to their sensitivities to interest rate and inflation movements.

In addition, the Trustee aims to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

The forward currency contracts, previously classified as within Cash and Other Investments, have been reclassified to derivatives. The prior year forward currency contracts of (£3,752,045) have been reclassified accordingly.

Swaps

Nature	Notional amounts (£000)	Expires	Asset value (£000)	Liability value (£000)
Exchange traded – Interest rate swaps	995,926	1–30 years	94,854	(74,306)
OTC – Interest rate swaps	45,730	1–30 years	3,188	(5,387)
OTC – Inflation rate swaps	586,444	4–14 years	71,645	–
Total 2024			**169,687**	**(79,693)**
Total 2023			120,128	(97,669)

At the Fund year end the counterparties had deposited £16.1mn (2023: £33.1mn) of cash collateral and the Fund posted cash collateral amounting to £7.8mn (2023: £18.6mn).

Futures

Nature	Economic exposure £000	Expires	Asset value (£000)	Liability value (£000)
Fixed Income	(99,267)	Within 1 year	516	(1,382)
Total 2024			**516**	**(1,382)**
Total 2023			1,903	(2,035)

Forward currency contracts

The Fund has open FX contracts at the year-end relating to its currency hedging strategy as follows:

	Settlement date	Currency bought (000)	Currency sold (000)	Asset value (£000)	Liability value (£000)
Forward FX	1–3 months	GBP 102,697	EUR 119,652	101	(14)
Forward FX	1–3 months	GBP 413,457	USD 523,787	96	(667)
Forward FX	1–3 months	EUR 20,444	GBP 17,487	3	–
Forward FX	1–3 months	USD 233,913	GBP 184,722	234	(39)
Total 2024				**434**	**(720)**
Total 2023				1,108	(4,860)

13: AVC investments

	2024 (£000)	2023 (£000)
Utmost Life	33	31
Standard Life	485	484
Prudential	421	567
	939	**1,082**

AVCs provide money purchase benefits and are invested separately, securing additional benefits on a money purchase basis for those Members who elected to pay additional voluntary contributions. This option was closed to new savings following the One Bank – Your Reward arrangements taking effect on 1 April 2015, with a new contract-based Supplementary Pension Plan starting from this date.

Members participating in this arrangement each receive an annual statement up to the end of February confirming the amount held in their account.

14: Cash and other investment balances

	2024 (£000)	2023 (£000)
Other investment assets		
Cash and cash equivalents	39,463	30,721
Accrued Income	18,837	17,131
Cash collateral due from brokers	8,323	14,472
Pending trades	–	128,419
	66,623	**190,743**
Other investment liabilities		
Cash and cash equivalents	(103,343)	(27,190)
Cash collateral due to brokers	(30)	–
Interest payable under repurchase agreements	(363)	(617)
Pending trades	(61,315)	(179,258)
	(165,051)	(207,065)
	(98,428)	**(16,322)**

15: Amounts payable under repurchase agreements

	2024 (£000)	2023 (£000)
Amounts payable under repurchase agreements	(55,116)	(114,058)
	(55,116)	**(114,058)**

During the year the Fund has entered into repurchase agreements using its UK government securities and index-linked UK government securities as the underlying security. The Fund retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

The securities are included in the financial statements as assets of the Fund at their market value. At 29 February 2024, the market value of securities sold under repurchase agreements was £56.8mn (2023: £113.2mn).

Cash received from counterparties in respect of the securities that have been sold has been used by the Fund to increase its matching assets portfolio. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Fund's financial statements under investment liabilities. At 29 February 2024, this amounted to £55.5mn (2023: £114.7mn) including £0.4mn (2023: £0.6mn) of accrued interest.

At the year end £48.6mn (2023: £3.0mn) of bonds reported in the Scheme assets are held by counterparties under repurchase agreements.

16: Investment fair value hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The table below shows the categorisation of the Fund's assets:

At 29 February 2024

	Level 1 (£000)	Level 2 (£000)	Level 3 (£000)	Total (£000)
Bonds	1,748,147	1,185,154	–	2,933,301
Pooled investment vehicles	–	34,198	438,433	472,631
Derivatives	(866)	89,708	–	88,842
AVC investments	–	–	939	939
Cash	(71,398)	7,518	–	(63,880)
Other investment balances	13,184	(47,732)	–	(34,548)
Amounts payable under repurchase agreements	–	(55,116)	–	(55,116)
	1,689,067	**1,213,730**	**439,372**	**3,342,169**

At 28 February 2023

	Level 1 (£000)	Level 2 (£000)	Level 3 (£000)	Total (£000)
Bonds	1,774,935	1,188,403	–	2,963,338
Pooled investment vehicles	40,881	–	447,981	488,862
Derivatives	(132)	18,707	–	18,575
AVC investments	–	–	1,082	1,082
Cash	11,954	8,522	–	20,476
Other investment balances	12,980	(49,778)	–	(36,798)
Amounts payable under repurchase agreements	–	(114,058)	–	(114,058)
	1,840,618	**1,051,796**	**449,063**	**3,341,477**

The forward currency contracts, previously classified as within Cash and Other Investments, have been reclassified to derivatives. The prior year forward currency contracts of (£3,752,045) have been reclassified accordingly.

17: Investment risks

The Trustee's approach to risk management is comprehensive and has been set out in the Trustee's Report (pages 14–15). There has been no changes to this approach over the year. Further information on the credit and market risks the Fund is subject to are set out below:

i: Credit risk

The Fund is subject to credit risk because it directly invests in bonds, debt instruments, derivatives and repurchase agreements, has cash balances and invests in pooled investment vehicles. The Fund is also indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles. In both the current and preceding years, these pooled investment vehicles are comprised of limited liability partnerships which amounts to £101.3mn (2023: £113.1mn) and a pooled Fund of One that sits as a Sub-Fund of a Partnership structured as an umbrella fund which amounts to £336.6mn (2023: £334.1mn).

Credit risk arising on bonds held directly is mitigated by investing in high-quality government bonds, which are guaranteed by their respective governments, and high-quality corporate bonds and debt which are deemed to add value. In each case, the credit risk is deemed to be proportionate and appropriate. The total value of UK Government bonds was £953mn (2023: £1,041mn), UK other index-linked securities was £1,176mn (2023: £1,153mn), fixed-interest government bonds was £25mn (2023: £13mn), fixed-interest corporate bonds was £695mn (2023: £734mn), illiquid fixed-interest corporate bonds was £78mn (2023: £447mn) and the residual of £6mn (2023: £22mn) held in supranational bonds.

Credit risk arises on profits made on derivative contracts and repurchase agreements, to the extent that these are uncollateralised, and on losses to the extent that they are overcollateralised, as in either case, there is credit exposure to the bank counterparty. This is managed by fully collateralising any profits made on derivatives, and minimising any overcollateralisation of derivative contracts.

Cash is held by each of the investment managers as part of the efficient management of their respective mandates and totalled £39.4mn at 29 February 2024 (2023: £8.2mn).

ii: Currency risk

The Fund is subject to direct currency risk through the Insight and J.P. Morgan mandates, which have the ability to invest in bonds and debt which are not sterling-denominated. However, this risk is mitigated by Insight and J.P. Morgan hedging any overseas currency exposure back to sterling.

Additionally, the Fund is subject to indirect currency risk because some of the Fund's investments are held in overseas markets, via the two pooled investment vehicles accessed by the Aviva Secure Income mandate. This risk is mitigated within the Aviva Secure Income mandate as Legal & General undertake overseas currency hedging on any Aviva investments that are subject to currency risk.

Furthermore, the other overseas pooled investment vehicles are subject to direct currency risk as a result of the units of these funds being denominated in US dollars. The value of these assets at 29 February 2024 was £0.5mn (2023: £0.7mn).

iii: Interest rate risk

The Fund is subject to interest rate risk because some of its investments are held in bonds, debt instruments, derivatives, cash balances and pooled investment vehicles. The Fund invests the majority of its assets in a portfolio of UK fixed-interest, index-linked gilts and derivatives as the changes in the value of these types of investments closely match the movements in the Fund's liabilities. The Fund also invests in other debt instruments such as UK other index-linked securities, fixed-interest corporate bonds, fixed-interest government bonds and illiquid fixed-interest securities which are also subject to interest rate risk.

The total value of investments which are subject to interest rate risk amount was £3,342mn at 29 February 2024 (2023: £3,360mn).

iv: Other price risk

Other price risk arises principally in relation to the Fund's underlying exposure to bond and debt instruments such as fixed-interest corporate bonds and illiquid fixed-interest securities. In addition, the Fund is exposed to price risk from its ability to use derivatives and the additional factors which determine an asset's price, beside those described above.

The Fund is also subject to other price risk in respect of the private equity pooled investment funds which were valued at £0.5mn at 29 February 2024 (2023: £0.7mn).

v: Liquidity risk

Liquidity risk is the risk that the Fund cannot meet its regular payments because it is not able to sell assets, or not able to sell without incurring some loss. This risk is mitigated by holding most of the assets in readily saleable assets such as UK fixed-interest gilts, UK index-linked gilts, UK other index-linked securities, fixed-interest government bonds and fixed-interest corporate bonds and the Fund's ability to use derivatives to raise cash. There are some assets, such as Network Rail bonds held by Legal & General and, particularly, the securities and assets held by Aviva which are relatively more illiquid. Such assets are assumed to not be available to be sold down to meet the monthly cash-flow requirements.

18: GMP disclosures

Between 6 April 1978 and 5 April 1997, pension schemes that were contracted out of the State Earnings Related Pension Scheme ('SERPS') were required to provide pensions which were at least equal to the Member's GMP. GMPs are defined in legislation and are not equal for males and females. In particular, GMPs are usually higher for females than males, and come into payment earlier for females (from age 60, versus age 65 for males).

During the 1990s it became clear that pension schemes had to provide benefits on equal terms for male and female Members, in respect of service from 17 May 1990 onwards (the date on which the European Court of Justice ruled that this was required). However, it remained unclear whether equalisation for the effect of unequal GMPs was required, and if so, how such equalisation might be carried out.

A test case was heard in July 2018, with the judgement issued on 26 October. This considered the position of Lloyds Banking Group pension scheme members, following an application to the High Court by the Lloyds Trade Union and the scheme's trustee and employer. The High Court ruled that GMP equalisation is required, and that several methods of implementing this are permissible.

While it will take some time to amend member benefits to reflect the court ruling, the Trustee is taking the necessary steps to obtain estimates of the cost of equalisation and a reserve amount of £9mn has been allowed for in the triennial valuation as at 28 February 2023. The Fund Actuary has confirmed that there are no significant changes in this estimation between the date of the last triennial actuarial valuation and the year end. Based on this initial assessment, the Trustee and the Bank of England do not expect the likely backdated amounts and related interest to be material to the financial statements and therefore no liability in respect of these matters has been included in these financial statements. They will be accounted for in the year they are determined.

19: Current assets

	2024 (£000)	2023 (£000)
Cash balances	39,158	15,570
Other assets	960	10,962
	40,118	**26,532**

Other assets consist of cash accounts held by HR Pension Trustee on behalf of the Trustee at the year end for future pension payroll payments.

20: Current liabilities

	2024 (£000)	2023 (£000)
Accrued benefits	25	435
Accrued expenses	802	3,424
	827	**3,859**

21: Related party transactions

Administration services were provided by the Bank of England. The Pension Fund held cash amounting to £19.3mn at the Bank of England at the year end (2023: £15.6mn).

Ms Glover, receives remuneration of £5,000 per annum as Chair of the Trustee Board, as well as being a member of Court. No other Trustee Director receives any remuneration for services during the year. Trustee Directors who are Bank employees are paid by the Bank. Their costs are not recharged to the Fund.

Mr Cornelius is a pensioner Member of the Fund and is in receipt of a pension from the Fund. Following the proposals from the One Bank – Your Reward review, all former Final Salary Members who previously reached their 40-years maximum accrual, were then eligible to accrue a further Career Average pension from 1 April 2015. Mr Curtiss and Ms Gerken have opted out of accruing pension benefits and receive a cash payment in lieu of pension.

All other Trustee Directors are active Members who are accruing benefits in the Fund, with the exception of Ms Glover who is an independent Chair.

22: Contingent liabilities and commitments

a: Contingent liabilities

Other than the liability to pay future pensions and allowances, there were no contingent liabilities of the Fund at 29 February 2024 (2023: £Nil).

b: Commitments

At the year end there were undrawn commitments to investment funds totalling £0.2mn (2023: £0.2mn). This represented the total of potential capital calls from overseas private equity holdings.

Independent Auditor's Statement about Contributions to the Trustee of the Bank of England Pension Fund

We have examined the summary of contributions payable to the Bank of England Staff Pension Fund, for the Fund year ended 29 February 2024 which is set out in the Trustee's Report on page 62.

In our opinion contributions for the Fund year ended 29 February 2024 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Fund Actuary on 27 November 2020 and 12 February 2024.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of trustees and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Fund's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Fund's Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our work, for this statement, or for the opinion we have formed.

Crowe U.K. LLP
Statutory Auditor
London

6 September 2024

Summary of Contributions payable in the year

During the year, the contributions payable to the Fund were as follows:

	Employee (£000)	Employer (£000)
Required by the Schedule of Contributions		
From employers:		
Normal contributions	–	155,230
Other contributions payable		
From Members (AVCs):		
Added years	5	–
Total (as per Fund account)	**5**	**155,230**

The Bank of England paid the full contributions required to the fund benefits by June of the current financial year. The Schedule of Contributions, dated 25 November 2020, that was in force at the start of the year, confirms that contributions should be paid by March of the current financial year (ie March 2023) at a normal contribution rate of 52.2% (2023: 52.2%) of Members' pensionable salaries.

Signed on behalf of the Trustee:

Anne Glover
Chair

Mark Cornelius
Trustee Director

6 September 2024

Photography
Front cover — © Lee Funnell