



## Pension Board

**Tuesday 21 November 2017 at 7.00 pm**

Members Suite - 4th Floor, Brent Civic Centre,  
Engineers Way, Wembley, HA9 0FJ

### Membership:

Mr David Ewart  
Councillor George Crane  
Councillor Sandra Kabir  
Bola George  
Euton Stewart  
Trevor Dawson

Independent Chair  
Employer Representative  
Employer Representative  
Member Representative (Trade Union)  
Member Representative (Trade Union)  
Member Representative (Pension Scheme)

**For further information contact:** Nikoleta Nikolova, Governance Officer  
nikoleta.nikolova@brent.gov.uk; 020 8937 1587

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**The press and public are welcome to attend this meeting**

## **Notes for Members - Declarations of Interest:**

If a Member is aware they have a Disclosable Pecuniary Interest\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest\*\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also a Prejudicial Interest (i.e. it affects a financial position or relates to determining of any approval, consent, licence, permission, or registration) then (unless an exception at 14(2) of the Members Code applies), after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

### **\*Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences** - Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

### **\*\*Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:

- To which you are appointed by the council;
- which exercises functions of a public nature;
- which is directed is to charitable purposes;
- whose principal purposes include the influence of public opinion or policy (including a political party of trade union).

- (b) The interests of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral ward affected by the decision, the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who employs or has appointed any of these or in whom they have a beneficial interest in a class of securities exceeding the nominal value of £25,000, or any firm in which they are a partner, or any company of which they are a director
- any body of a type described in (a) above.

# Agenda

Introductions, if appropriate.

Item	Page
<b>1 Apologies for absence</b>	
<b>2 Declarations of interests</b>	
Members are invited to declare at this stage of the meeting, any relevant personal and prejudicial interests and disclosable pecuniary interests in any matter to be considered at this meeting.	
<b>3 Minutes of the previous meeting</b>	1 - 6
To approve the minutes of the previous meeting as a correct record.	
<b>4 Matters arising (if any)</b>	
<b>5 Implementation of the Markets in Financial Instruments Derivative (MiFID II)</b>	7 - 12
This report outlines the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to the administering authority of becoming a retail client on 3rd January 2018 and recommends that the committee agree that elections for professional client status should be made on behalf of the authority immediately.	
<b>6 Quarterly monitoring report on fund activity: Quarter to June 2017</b>	13 - 30
This report provides a summary of the Fund's activity during the quarter ended 30 June 2017. It examines the economic and market background, and investment performance, as well as commenting on events in the quarter.	
<b>7 Update on the London CIV and the Fund's Investment Options</b>	31 - 36
The report provides an update on the London CIV and the timescales attached to making investments within it.	
<b>8 Pension Administration Service Update</b>	37 - 60
This report includes the LGPS pension scheme and other benefits for	

Brent Council pensionable employees as well as other scheduled and admitted bodies within the borough area.

## **9 Exclusion of Press and Public**

To exclude the press and public during consideration of any confidential or exempt items by virtue of the appropriate category of exempt information as specified in the Local Government Act 1972.

## **10 Final Cessation Valuation**

61 - 72

This report updates the committee on the outcome of an employer ceasing to be an employing authority in the Brent Pension Fund.

## **12 Any other urgent business**

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 64.

**Date of the next meeting: Tuesday 6 February 2018**



- Please remember to ***SWITCH OFF*** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.



## **MINUTES OF THE PENSION BOARD Wednesday 26 July 2017 at 7.00 pm**

PRESENT: Councillor Mr Ewart (Chair) and Councillors Crane, Kabir, Ms Bola George and Mr Euton Stewart

Apologies were received from: Mr Dawson

### **1. Declarations of interests**

None.

### **2. Minutes of the previous meeting**

RESOLVED:-

that the minutes of the last meeting held on 9 March 2017 be approved as an accurate record.

### **3. Matters arising**

Employees and Scheme Benefits

Mildred Phillips (Head of Employee Services) informed members that the employee portal was now up and running. She added that future benefit statements would be issued to members via the portal and that hard copy statements will only be issued if requested by the individual concerned. The Chair requested that consideration be given to including information on the Board's work be included on the portal.

### **4. Annual Report 2017 from the Chair**

The Board considered a report that provided a summary of the work carried out by the Council's Pensions Board, covering the period July 2016 to the end of 2016/17. The report also presented details of the Board members, training, the programme of work and items discussed during the Board's three meetings during the year, and major concerns to draw to the Council's attention.

In the discussions that followed, the Board reiterated the concerns highlighted in the report and summarised below and, asked that they be brought to the attention of the Council.

Concern about Brent Pension Fund's level of funding which was considered to be the lowest in Local Government despite the relatively good current performance of the fund's investment and the Council's contribution rates to bring the level of funding back to full funding over the longer term.

Pensions' administration contract performance by Capita in particular, timeliness of cases involving payments was still only at 66.2%.

Data relating to Career Average Revalued Earnings (CARE) appeared not to have been included as part of data supplied by Capita to be analysed by the Fund's Actuary for the Triennial Review process, which led to delays in the finalisation of the Triennial Review of the funding level and contribution rates

782 Annual Benefit Statements had not been sent out to active members of the Scheme, despite an agreed 30<sup>th</sup> November 2016 deadline, (which was already late) and of those that were sent, a minority contained inaccuracies.

The Board was particularly concerned that the Council had needed to contact The Pensions Regulator to state that there had been non-compliance with the required Regulations due to delays in sending out the Annual Benefit Statements.

RESOLVED:

That the Director of Human Resources be requested to submit a report to the Council's General Purposes Committee highlighting the concerns above on Brent pension Fund's level of funding and the performance of the pensions' administration contractor, Capita.

## **5. Pension Fund Quarterly monitoring report to March 2017**

The Board received a report that provided a summary of the Fund's activity during the quarter ended 31 March 2017. The report also examined the economic and market background, and investment performance, as well as commenting on events in the quarter. Ravinder Jassar (Head of Finance) in introducing the report highlighted that during the quarter ending 31 March 2017, Brent Pension Fund increased in value by 3.5% from £775.4m to £802.7m and in the calendar year of 2016/17 the value of the fund rose by 17.3% compared to the benchmark of 16%.

He drew members' attention to table 1 of the report that summarised the changes in asset allocation during the quarter. Members noted that the Fund was overweight in equities which he explained was due to general rise in equity markets. The Fund was also overweight in cash by £50million. He clarified that this was held principally for further calls on capital commitments in private equity and infrastructure as well as to re-allocate to other investments. He continued that between £30m to £40m in cash would also be required to fund transfer values in relation to the College of North West London as it had been agreed by their governing body to merge with the City of Westminster College and transfer their element of the Pension Fund to the London Pension Fund Authority (LPFA). This was currently planned for August 2017.

He then drew members' attention to table 2 in the report which summarised the performance of investment returns against the relevant benchmark of different categories. Members noted that all investment categories; fixed income (Henderson Bond); equities (Legal and General); European Property (Aviva); infrastructure (Alinda); pooled multi asset (Baillie Gifford) had outperformed the benchmark. He continued that as Henderson Small Caps had underperformed the benchmark growth in 6 of 8 quarters due to market volatility, the holding may be reviewed in the near future. Members noted the Fund's compliance with a number of its own investment restrictions.

RESOLVED:

- (i) That the Brent Pension Fund's quarterly monitoring report ending March 2017 be noted.
- (ii) That the Fund's compliance with a number of key investment restrictions as set out in the report be noted.

## 6. **Draft Pension Fund Annual Report**

The Board received a report that presented the draft Pension Fund Annual Report and Annual Accounts for the year ended 31 March 2016. Ravinder Jassar (Head of Finance) summarised the key points in the draft accounts. Members heard that against a backdrop of continued uncertainty in the global economy and volatility in the financial markets, the value of the Fund's net investment assets was £803.6m, up from £675.9m in 2015/16.

Total contributions received from employers and employees totalled £48.5m for the year, an increase on the previous year's £46.3m. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, totalled £40.0m, an increase on the previous year's £37.9m, demonstrating a positive cash flow position for the year. He added that the Pension Fund had recently had its Triennial Review, which set the rates for 2017/18 through 2019/20.

In welcoming the report members noted a significant drop in investment management expenses from £6.9m to £2.98m, partly due to the London Collective Investment Vehicle (CIV). Another significant noteworthy fact was the Fund's compliance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government. Members took note of the key risks and controls and decided that it be submitted to the next meeting of the Board. In response to a member's question about the impact of reduced funding from central government, the Head of Finance stated that the Fund's actuaries assessment modelling was based on certain assumptions which included external funding.

RESOLVED:

- (i) That Draft Pension Fund Annual report be noted;
- (ii) That the Board wish to place on record its appreciation to officers for such a comprehensive draft report on the Fund's account.

## 7. **Outcome of the Triennial Review**

This report updated members on the outcome of the 2016 Triennial Review for the Brent Pension fund. Ravinder Jassar (Head of Finance) introduced the report. Members heard that the 2016 valuation revealed that the Fund's assets were sufficient to meet 56% of the liabilities although the Fund was still on track to achieve full funding in the anticipated 19 years (As per the funding policy set out in the Funding Strategy Statement which was reviewed as part of the 2016 valuation)

He referenced the slides presented by Hymans Robertson (actuaries) and highlighted the significance of on-going data cleansing prior to the next valuation in 2019. Members were advised that the Funds which were of concern to Scheme Advisory Board were those which had low contributions and low funding levels, unlike Brent Pension Fund which was characterised by low funding levels and high contributions.

RESOLVED:

That the outcome of the triennial review be noted.

**8. Recruitment of Employer Representative**

The Board noted the casual vacancy in its membership created as a result of the resignation of Angela Cattermole (Employer representative other than Council) and urged the Director of Human Resources to take appropriate steps through Employers Forum to find a suitable replacement to fill the casual vacancy.

**9. Any other urgent business**

None.

**10. Exclusion of press and public**

RESOLVED:

This the press and public be excluded from the remainder of the meeting as the reports to be considered it contained the following category of exempt information as specified in Schedule 12A of the Local Government Act, 1972, namely:

Information relating to the financial or business affairs of particular persons (including the Authority holding that information).'

**11. Pension Administration Service Contract Extension and Future Provision**

Members considered a report that informed the Pensions Board of the approval given by Corporate Management Team (CMT) for an extension of the Pension Administration Contract between the Council and Capita Employee Benefits for twelve months.

RESOLVED:

- (i) That the decision to extend the pension administration contract between the Council and Capita for a period of twelve months until the 30<sup>th</sup> September 2018 on the basis that there are good business and operational reasons as set out in the report be noted;
- (ii) That the board notes that Brent would be seeking to appoint a suitable partner at a suitable date for the pension administration service.



## 12. **Pensions Administration Update**

Members considered a report from the Director of Human Resources that provided an update to the Pension Board on Brent Housing Partnership (BHP) re-enrolment, Pensions Regulator, Year End Returns and Capita's performance to 6 months ending 31 March 2017. In welcoming the report, the Chair, on behalf of the Board expressed appreciation to the team of officers in both Human Resources and Finance for an in-depth report.


RESOLVED:

That the updates on BHP re-enrolment, Pensions Regulator and Capita's performance be noted.

The meeting closed at 8.30 pm

MR. D EWART  
Independent Chair

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 <b>Brent</b>	<b>Pension Fund Sub-Committee</b>  7 November 2017  <b>Report from the Chief Finance Officer</b>
For Information	Wards Affected: ALL
<b>Implementation of the Markets in Financial Instruments Derivative (MiFID II)</b>	

## 1.0 SUMMARY

- 1.1 This report outlines the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) and in particular the risk to the administering authority of becoming a retail client on 3rd January 2018 and recommends that the committee agree that elections for professional client status should be made on behalf of the authority immediately.
- 1.2 In brief, Brent will be classified as a ‘retail’ investor from 3 January 2018 unless the Committee and Board agrees to apply for elected professional client status. As a ‘retail’ investor, the fund’s current investment strategy would not be possible.

## 2.0 RECOMMENDATIONS

- 2.1 Notes the potential impact on investment strategy of becoming a retail client with effect from 3<sup>rd</sup> January 2018
- 2.2 Agrees to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
- 2.3 In electing for professional client status the committee acknowledges and agrees to forgo the protections available to retail clients attached as APPENDIX 1.
- 2.4 Agrees to approve delegated responsibility to Chief Finance Officer for the purposes of completing the applications and determining the basis of the application as either full or single service.

## 3.0 DETAIL

- 3.1 Under the current UK regime, local authorities are automatically categorised as per se professional clients in respect of non-MiFID scope business and are

categorised as ‘per se professional clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain ‘opt up criteria’.

- 3.2 Following the introduction of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) from 3 January 2018, firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt (“local authority”) as a “per se professional client” or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope business. Instead, all local authorities must be classified as “retail clients” unless they are opted-up by firms to an “elective professional client” status.
- 3.3 Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client.

#### **4.0 POTENTIAL IMPACT**

- 4.1 A move to retail client status would mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer’s needs, and that all the risks and features have been fully explained. This provides a higher standard of protection for the client but it also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.
- 4.2 Such protections would come at the price of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities. Many institutions currently servicing the LGPS are not authorised to deal with retail clients and may not wish to undergo the required changes to resources and permissions in order to do so.
- 4.3 Even if the institution secures the ability to deal with retail clients the range of instruments it can make available to the client will be limited to those defined under Financial Conduct Authority (FCA) rules as ‘non-complex’ which would exclude many of the asset classes currently included in LGPS fund portfolios. In many cases managers will no longer be able to even discuss (‘promote’) certain asset classes and vehicles with the authority as a retail client.

#### **5.0 Election for professional client status**

- 5.1 MiFID II does allow for retail clients which meet certain conditions to elect to be treated as professional clients (to ‘opt up’). There are two tests which must be met by the client when being assessed by the financial institution, the quantitative and the qualitative test.

- 5.2 The Local Government Pension Scheme Advisory Board (SAB) and the Local Government Association (LGA) along with the Department of Communities and Local Government (DCLG) and the Investment Association (IA) have successfully lobbied the FCA to make the test better fitted to the unique situation of local authorities.
- 5.3 The new tests recognise the status of LGPS administering authorities as providing a 'pass' for the quantitative test while the qualitative test can now be performed on the authority as a collective rather than an individual. A summary of and extracts from the FCA policy statement which set out these new tests is attached as APPENDIX 2
- 5.4 The election to professional status must be completed with all financial institutions prior to the change of status on 3<sup>rd</sup> January 2018. Failure to do so by local authorities would result in the financial institution having to take 'appropriate action' which could include a termination of the relationship at a significant financial risk to the authority.
- 5.5 The SAB and the LGA have worked with industry representative bodies including the IA, the British Venture Capital Association (BVCA) and others to develop a standard opt up process with letter and information templates. This process should enable a consistent approach to assessment and prevent authorities from having to submit a variety of information in different formats.
- 5.6 A flowchart of the process is attached as APPENDIX 3 and the letter and information templates are attached as APPENDICES 4 and 5
- 5.7 Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only. A local authority may wish to do the latter where the institution offers a wide range of complex instruments which the authority does not currently use and there is no intention to use the institution again once the current relationship has come to an end, for example, if the next procurement is achieved via the LGPS pool. It is recommended that officers determine the most appropriate basis of the application, either via full or single service.
- 5.8 Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt up process and notify all institutions of any changes in circumstances which could affect their status, for example, if the membership of the committee changed significantly resulting in a loss of experience or if the relationship with the authority's investment advisor was terminated.
- 6.0 LGPS pools**
- 6.1 LGPS pools will be professional investors in their own right so will not need to opt up with the external institutions they use. Local authorities will however need to opt up with their LGPS pool in order to access the full range of services and sub-funds on offer.
- 6.2 In some circumstances, in particular where the pool only offers access to fund structures such as ACS the pool could use 'safe harbour' provisions resulting from

local authorities continuing to be named as professional investors in both the Financial Promotion Order (the “FPO”) or in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order (the “PCISO”). These provisions would enable the promotion and potential sale of units in fund structures to local authorities as retail investors.

- 6.3 Elections to professional status will be needed for every financial institution that the authority uses outside of the pool, both existing and new, together with a continuing review of all elections. If all new purchases are made via fund structures within the pool then no new elections will be required, only an ongoing review of the elections made with the pool and any legacy external institutions the number of which would reduce as assets are liquidated and cash transferred.

## **7.0 Next steps**

- 7.1 In order to continue to effectively implement the authority’s investment strategy after 3<sup>rd</sup> January 2018, applications for election to be treated as a professional clients should be submitted to all financial institutions with whom the authority has an existing or potential relationship with in relation to the investment of the pension fund.
- 7.2 This process should commence as soon as possible in order to ensure completion in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority’s pension fund investments.
- 7.3 The Chief Finance Officer should be granted the necessary delegation to make applications on the authority’s behalf and to determine the nature of the application on either full or single service basis.

## **8.0 ATTACHMENTS**

APPENDIX 1 – Retail client protections  
APPENDIX 2 – Summary of FCA policy statement  
APPENDIX 3 – Opt up process flowchart  
APPENDIX 4 – Opt up letter template  
APPENDIX 5 – Opt up information template

## **9.0 FINANCIAL IMPLICATIONS**

- 9.1 Financial Implications are set out throughout the report. In brief, In order to pursue Brent Pension Fund’s current investment strategy, electing to opt up to professional status is essential. A retail investor would only be able to pursue a fraction of the investment methods and techniques that a professional investor has access to. It would be inappropriate for Brent Pension Fund, as an institutional investor, with over £800 million in assets to be classified as a retail investor, and would severely reduce the Fund’s ability to improve its funding level to fully funded status.
- 9.2. It is expected that all London Boroughs and other Councils which are LGPS Administering Authorities will elect up to professional investor status.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 This report outlines the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (MiFID II”) and seeks approval to apply for elected professional status. The relevant benefits and drawbacks of opting up to professional status are highlighted within the report.
- 10.2 In discharging their functions under the Local Government Pension Regulations, members of the Brent Pension Fund must have regard to:
- (i) The need for diversification of investments of the Fund money; and
  - (ii) The suitability of investments which they propose to make
- 10.3 Investment decisions must therefore be directed towards achieving a wide variety of suitable investments, and to what is best for the financial position of the fund (balancing risk and return in the normal way). These factors should be taken into account in considering the recommendations in this report.

## **11.0 BACKGROUND INFORMATION**


- 11.1 <http://www.lgpsboard.org/index.php/schemedata/mifidii>

## **12.0 CONTACT OFFICERS**

- 12.1 Ravinder Jassar  
Head of Finance  
020 8937 1487  
Brent Civic Centre.

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 <b>Brent</b>	<b>Pension Fund Sub-Committee</b>  7 November 2017  <b>Report from the Chief Finance Officer</b>
For Information	Wards Affected: ALL
<b>Quarterly monitoring report on fund activity: Quarter to June 2017</b>	

## 1.0 SUMMARY

- 1.1 This report provides a summary of the Fund's activity during the quarter ended 30 June 2017. It examines the economic and market background, and investment performance, as well as commenting on events in the quarter. In summary, in the second quarter (Q2) of the calendar year, the Fund increased by 1.2% (£9.3m) from £802.7m to £812.0m compared to a 3.5% (£27.3m) increase in the first quarter (Q1). This equates to a 4.7% increase in the value of the fund in the first six months of the year.

## 2.0 RECOMMENDATIONS

- 2.1 Members are asked to note the performance report and Independent Financial Adviser's investment report, which is attached to the main body of this report.

## 3.0 DETAIL

- 3.1 Economic growth in the UK has been in line with predictions from economists. Official figures from the Office for National Statistics estimate the economy expanded by 0.3% in the three months to June 2017, up from 0.2% in Q1. This is below the bank of England's expectations of 0.4% growth in Q2. The main area of growth has been the service industry whilst the construction and manufacturing industries have had led to a downward shift in the UK market.
- 3.2 The UK economy has been resilient following the aftermath of the Brexit vote in June 2016. However, growth has been slow compared to growth in the Eurozone which was double that of the UK in the second quarter of the year. The slowdown in the British UK economy has been as a result of rising inflation over the last four years. The continuous rise in inflation rates has led to a reduction in consumer spending and seen a rise in the prices of goods and services imported into the country.

- 3.3 Economists have noted that the reduced level of growth is not expected to lead to another recession in the UK although risks to growth are still weighted to the downside given the uncertainties with Brexit.
- 3.4 The Bank of England faces a dilemma on interest rates due to a combination of slowing growth and rising inflation. At its September meeting, the monetary policy committee was split and voted 7-2 in favour of holding interest rates at 0.25%. A stronger than expected growth in the UK economy could therefore raise the prospect of an interest rate rise as early as November.
- 3.5 Table 1 summarises the change in the Council's asset allocation in Q2.

**Table 1: Asset allocation as at 30 June 2017 compared to the benchmark**

ASSET CLASS	31/03/2017 Value (£m)	Net Investment Value (£m)	Appreciation (£m)	31/06/2017 Value (£m)	% of Fund	Allocation Target (%)	Deviation (%)
<b>Fixed Income</b>							
Henderson-Total Return Bond Fund	<b>91.2</b>		<b>1.5</b>	<b>92.7</b>	<b>11.4</b>	<b>15.0</b>	<b>-3.6</b>
<b>Equities</b>							
UK - L&G	106.9		1.6	108.5	13.4		
UK Smaller Cos - Henderson	29.2	0.1	2.3	31.6	3.9		
Overseas Developed - L&G	267.8		1.2	269.0	33.1		
<b>Equities - Total</b>	<b>403.9</b>	<b>0.1</b>	<b>5.1</b>	<b>409.1</b>	<b>50.4</b>	<b>45.0</b>	<b>5.4</b>
<b>Diversified Growth Fund</b>							
LCIV Baillie Gifford	75.9		1.3	77.2	9.5		
LCIV Ruffer	49.3		-0.1	49.2	6.1		
<b>Total London CIV</b>	<b>125.2</b>	<b>0</b>	<b>1.2</b>	<b>126.4</b>	<b>15.6</b>	<b>21.0</b>	<b>-5.4</b>
<b>Property</b>							
Europe - AVIVA	3.6	-0.2	0.3	3.7	0.5		
<b>Property - Total</b>	<b>3.6</b>	<b>-0.2</b>	<b>0.3</b>	<b>3.7</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>
<b>Private Equity</b>							
Capital Dynamics	79	-1.8	0.5	77.7	9.6		
Yorkshire	0.6		0	0.6	0.1		
<b>Private Equity Total</b>	<b>79.6</b>	<b>-1.8</b>	<b>0.5</b>	<b>78.3</b>	<b>9.6</b>	<b>10.0</b>	<b>-0.4</b>
<b>Infrastructure</b>							
Alinda	37.7	-4.5	-0.8	32.4	4.0		
Capital Dynamics	11.3	0.0	-2.26	9	1.1		
<b>Infrastructure Total</b>	<b>49</b>	<b>-4.54</b>	<b>-3.06</b>	<b>41.4</b>	<b>5.1</b>	<b>8.0</b>	<b>-2.9</b>
<b>Cash Deposits</b>							
Other/Northern Trust	<b>50.2</b>	<b>10.1</b>	<b>0.1</b>	<b>60.4</b>	<b>7.4</b>	<b>1.0</b>	<b>6.4</b>
<b>Grand Total</b>	<b>802.7</b>	<b>3.7</b>	<b>5.6</b>	<b>812.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

- 3.6 Fund assets appreciated by £5.6m with yields from both UK and Global equities, Diversified Growth funds and steady returns from fixed income bonds. The total appreciation was offset by a £3.1m depreciation in infrastructure investments.
- 3.7 There is a balance of £60.4m in cash deposits, principally held for calls on capital commitments in private equity and infrastructure as well as to re-allocate to other investments. Cash will also be required to fund transfer values in relation to the

College of North West London as it has been agreed by their governing body to merge with the City of Westminster College and transfer their element of the Pension Fund to the London Pension Fund Authority (LPFA). This is currently planned for January 2018. Cash has just started being invested via Treasury into Money Market funds to enable a better return and protect the principal.

- 3.8 Following the complete sale of the UK property investments, the European property investments saw an appreciation of £0.3m, increasing the asset value to £3.7m. Subject to market conditions the European property investments are also planned to be run down in 2017/18.
- 3.9 The Fund is monitoring developments and the opening of investment opportunities on the CIV platform. This is with a view to transitioning assets across as soon as there are suitable sub-funds that are in line with the Fund's investment and asset allocation strategy. While the Fund awaits decisions on investment managers available through the CIV, a review is being carried out to update or refine the current asset allocation. There is a separate report on the agenda which will discuss the Fund's asset allocation in more detail.
- 3.10 The independent Custodian Northern Trust measures the returns on the Brent Pension Fund. Table 2 sets out returns for the periods to 30 June 2017.

**Table 2: Investment Returns in Individual Markets**

30-Jun-17							
Investment Category	RETURNS						Benchmark/ Index Description
	Qtr Ending 31/03/17			Qtr Ending 30/06/17			
	Fund %	Benchmark %	Relative Return %	Fund %	Benchmark %	Relative Return %	
Fixed Income							
Henderson Total Return Bond Fund	1.5	1.0	0.5	1.6	1.0	0.6	Absolute Return 4% pa
Equities							
UK - Legal & General	4.3	4.0	0.3	1.4	1.4	0.0	FTSE All Share
UK - Small Companies Henderson	3.7	5.8	-2.1	8.1	2.9	5.2	FTSE Small Cap
O'seas Developed - Legal & General	5.6	5.6	0.0	0.5	0.5	0.0	FTSE Dev World ex UK
European Property							
Aviva Investors	4.8	2.0	2.8	9.4	2.3	7.1	IPD All Properties Index
Private Equity							
Capital Dynamics	*	*	*	*	*	*	
Yorkshire Fund Managers	*	*	*	*	*	*	
Infrastructure							
Alinda Capital Partners	-4.7	1.9	-6.6	-1.8	1.9	-3.7	Absolute Return 8% pa
Capital Dynamics	*	*	*	*	*	*	
Pooled Multi Asset							
Baillie Gifford	2.8	0.9	1.9	1.8	1.0	0.8	Base Rate + 3.5% pa
Ruffer	*	*	*	-0.5	1	-1.4	Base Rate + 3.5% pa
Cash	0	0.1		0	0.1		Base Rate
Total	2.8	3.7	-0.9	0.7	1.4	-0.7	

### 3.11 Fixed Income.

The Henderson Bond Fund has outperformed the benchmark, primarily due to positive returns from fund holdings in emerging markets and high yield corporates.

The fund has made cost savings of approximately £40k due to the introduction of a new tiered fee scale from the fund manager.

### **3.12 Equities.**

Both UK and overseas Legal & General funds have performed in line with benchmark figures as they are tracker funds. Unlike the first quarter, Henderson Small-caps has outperformed the benchmark appreciating by £2.3m. This is evident of how volatile this fund is given performance has been below benchmark for six out of the last ten quarters. Officers will continue to monitor this fund to inform future decisions on asset allocation.

### **3.13 European Property**

As in Q1, Aviva has considerably out-performed the benchmark in Q2. It is worth noting that valuations of real estate assets are inherently uncertain and sometimes are subject to a lack of comparable transactions for appraisers to consider.

### **3.14 Private Equity**

Performance of Capital Dynamics investments are not analysed in this manner because they are private equity, as measuring performance against public market indices can be misleading. This is planned to be rectified and officers are seeking to find an alternative comparison methodology.

### **3.15 Infrastructure**

Alinda's Infrastructure investment had seen above benchmark returns in the previous year. This was primarily due to investments denominated in American dollars which had appreciated against the UK pound. This quarter has seen another negative return compared to a positive benchmark. This negative trend is not expected to continue and officers will continue to monitor performance in the following quarters in the year.

### **3.16 Pooled Multi Asset**

Baillie Gifford had another strong quarter. Similar to the previous quarter this growth is attributable to continued positive performance in investment markets.

Ruffer joined the fund in March 2017. Performance in Q2 was below benchmark. The negative performance was linked to Mark Carney's unexpected comments about the future path of interest rates. The Central bank down played the comments and was pondering higher interest rates as inflation increased. The markets then re-priced the prospect of monetary tightening across the yield curves. To improve future performance, Ruffer will be investing in short term equities against long term bonds as an effective offset and to help the fund respond positively.

- 3.17 LGPS investment regulations state that the Administering Authority shall have regard both to the diversification and the suitability of investments. In 2016 the previous restrictions that applied since 2009 have been removed. The Fund has agreed a number of its own restrictions as set out in the table below. All other

investment restrictions will be negotiated with fund managers and the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

**Table 3: Compliance with Investment limits as noted within the FSS**

Type of investment	Maximum investment by the Fund % of assets	Actual exposure at 30 June 2017	Compliant Yes / No
Contributions invested in any single partnership	5%	4%	Yes
Contributions invested in partnerships	30%	15%	Yes
Cash deposits	10%	7%	Yes
Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	15%	11%	Yes
Total investment in illiquid assets[1]	30%	15%	Yes

3.18 Outstanding contractual commitments:

**Table 4: Outstanding contractual commitments on existing investments**

	31 Mar 2017	30 Jun 2017
	£'000	£'000
Capital Dynamics	21,921	18,725
Alinda	22,944	22,791
<b>Total</b>	<b>44,865</b>	<b>41,516</b>

3.19 These outstanding investment commitments mean that the Fund needs to retain a sizeable cash balance to meet capital call payments as they arise.

#### **4. FINANCIAL IMPLICATIONS**

4.1 These are no direct financial implications of this report.

#### **5. DIVERSITY IMPLICATIONS**

5.1 None.

#### **6. STAFFING IMPLICATIONS**

6.1 None.

#### **7. LEGAL IMPLICATIONS**

7.1 None.

#### **8. BACKGROUND INFORMATION**

8.1 Henderson Investors – June 2017 quarterly report

Legal & General – June 2017 quarterly report  
Northern Trust Performance Report – June 2017  
Website: <https://www.ons.gov.uk>

## **9. CONTACT OFFICERS**

9.1 Folake Olufeko, Senior Finance Analyst, 020 8937 2491



QUARTERLY REVIEW PREPARED FOR

Brent Council Pension Fund

Q2 2017

11<sup>th</sup> August 2017

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**BRENT COUNCIL PENSION FUND**  
**Quarterly Review, April – June 2017**  
**Report by the Independent Financial Adviser**

**Economy**

1. The UK economy continued to grow at a quarterly rate of just 0.3% in the second quarter, and the Bank of England revised its estimate for 2017 downwards from 1.9% to 1.7%. US employment data have been stronger than expected, while China announced GDP growth at an annual rate of 6.9% for the second quarter. The Federal Reserve raised US interest rates by 0.25% to the 1 – 1.25% range in June, and is generally expected to raise once more during 2017.

(In the table below, bracketed figures show the forecasts made in May)

[Source of estimates: The Economist, July 8<sup>th</sup>, 2017]

<b>Consensus real growth (%)</b>						<b>Consumer prices latest (%)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	
<b>UK</b>	+2.8	+2.3	+2.0	+1.6 (+1.6)	+1.2	+2.6(CPI)
<b>USA</b>	+2.4	+2.4	+1.6	+2.2 (+2.2)	+2.3	+ 1.9
<b>Eurozone</b>	+0.8	+1.5	+1.6	+1.9 (+1.7)	+1.7	+ 1.3
<b>Japan</b>	+0.3	+0.6	+0.9	+1.3 (+1.3)	+1.1	+ 0.4
<b>China</b>	+7.4	+6.9	+6.7	+6.7 (+6.6)	+6.3	+ 1.5

2. In the UK General Election on June 8<sup>th</sup> the Conservatives lost their overall majority, and entered into a pact with the DUP to ensure they had a working majority in Parliament. Negotiations opened on the terms of Britain's exit from the EU. Terrorist attacks in Manchester and London caused profound shock, as did the disastrous fire at Grenfell Tower in West London.
3. In France, Emmanuel Macron convincingly secured the presidency, and his newly-formed political party then won a resounding majority in the National Assembly. This result was welcomed within the Eurozone, although the new president may not find it easy to implement his economic programme.
4. US political developments continue at breakneck pace; President Trump sacked the FBI director in May, but shortly afterwards the Assistant Attorney-General appointed Robert Mueller as special investigator into possible Russian involvement in the 2016 election campaign. The President has withdrawn the US from the Paris Climate Accord and endorsed the Gulf states' boycott of Qatar. Meanwhile tension has been building up after North Korea's test missile launches, with the United Nations voting to impose sanctions on North Korea's exports.



## Markets

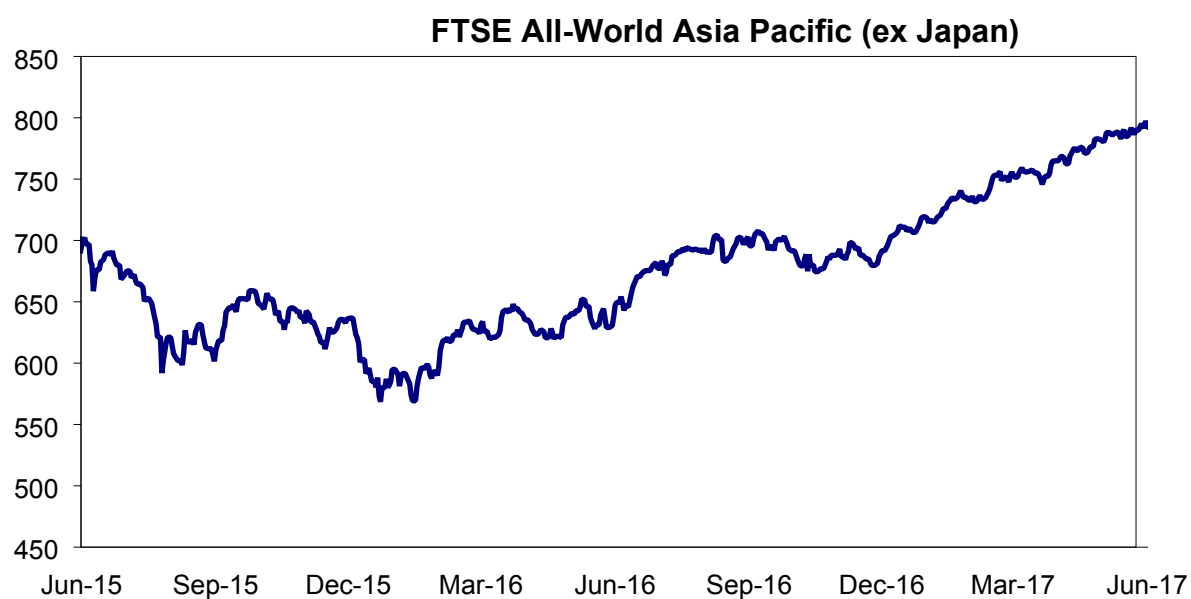
### Equities

- Equity markets were little changed on balance during the quarter, with UK and US indices remaining close to their all-time high levels.

	<b>Capital return (in £, %) to 30.6.17</b>		
<b>Weight %</b>	<b>Region</b>	<b>3 months</b>	<b>12 months</b>
<b>100.0</b>	FTSE All-World Index	<b>- 0.3</b>	<b>+19.9</b>
54.8	FTSE All-World North America	-1.4	+18.8
8.4	FTSE All-World Japan	+1.4	+21.4
12.0	FTSE All-World Asia Pacific ex Japan	+0.4	+24.1
15.0	FTSE All-World Europe (ex-UK)	+2.7	+24.8
6.1	FTSE All-World UK	-0.3	+12.5
9.2	FTSE All-World Emerging Markets	-0.8	+20.7

[Source: FTSE All-World Review, June 2017]

Pacific Basin equities have risen steadily over the past eighteen months (see graph)



- Among the sectors of the equity market, Oil & Gas and Telecommunications were significantly weak in the quarter, while Technology has become the leading sector over one year, spurred on by the strength of the 'FAANGs' (Facebook, Apple, Amazon, Netflix and Google).

	<b>Capital return (in £, %) to 30.6.17</b>		
<b>Weight %</b>	<b>Industry Group</b>	<b>3 months</b>	<b>12 months</b>
12.6	Technology	+0.7	+36.4
22.8	Financials	+0.2	+30.4
4.7	Basic Materials	-2.7	+27.3
12.9	Industrials	+1.5	+25.3
<b>100.0</b>	<b>FTSE All-World</b>	<b>-0.3</b>	<b>+19.9</b>
10.4	Consumer Services	-0.9	+15.6
13.4	Consumer Goods	+1.0	+15.3
10.7	Health Care	+2.6	+10.8
3.3	Utilities	-1.3	+4.1
6.0	Oil & Gas	- 9.1	+0.7
3.2	Telecommunications	-5.3	-2.6

[Source: FTSE All-World Review, June 2017]

7. In the UK market, the medium and small-cap sectors have resumed their leadership relative to the FTSE 100 segment.

<b>(Capital only%, to 30.6.17)</b>	<b>3 months</b>	<b>12 months</b>
<b>FTSE 100</b>	<b>-0.1</b>	<b>+12.4</b>
<b>FTSE 250</b>	<b>+1.9</b>	<b>+18.9</b>
<b>FTSE Small Cap</b>	<b>+2.8</b>	<b>+24.9</b>
<b>FTSE All-Share</b>	<b>+0.3</b>	<b>+13.8</b>

[Source: Financial Times]

### Bonds

8. The main **Government bond** yields were little changed during the quarter, although the yield gap between US Treasuries and UK gilts narrowed by ¼%.

<b>10-year government bond yields (%)</b>					
	<b>Dec '14</b>	<b>Dec 2015</b>	<b>Dec 2016</b>	<b>Mar 2017</b>	<b>June 2017</b>
<b>US</b>	2.17	2.27	2.46	2.41	2.28
<b>UK</b>	1.76	1.96	1.24	1.22	1.33
<b>Germany</b>	0.54	0.63	0.11	0.33	0.47
<b>Japan</b>	0.33	0.27	0.04	0.07	0.09

[Source: Financial Times]

## Currencies

9. The dollar has continued to weaken, despite the rises in US interest rates. Its trade-weighted index against other world currencies fell 7% in the first seven months of 2017. In the same period, the euro index gained 6%, as the Eurozone economies delivered stronger growth than expected. The euro's recent strength against the pound is shown in the graph below.

				<b>£ move (%)</b>	
	<b>30.6.16</b>	<b>31.3.17</b>	<b>30.6.17</b>	<b>3m</b>	<b>12m</b>
\$ per £	1.337	1.251	1.299	+3.8	-2.8
€ per £	1.203	1.189	1.139	-4.2	- 5.3
¥ per £	137.1	139.3	146.0	+4.8	+6.5

[Source: Financial Times]

### GBP vs EUR



## Commodities

10. The Oil price has remained in the \$45-55 range, fluctuating as estimates of production and reserves are revised. In July the price of Copper reached its highest level since May 2015, spurred on by increased demand from China.

## Copper



## Property

11. In UK Property, the Industrial sector continues to provide the strongest returns, while the quarterly returns on Retail and Office derive almost entirely from rental income. The 12-month figures have improved since March because the post-Brexit referendum weakness of June 2016 has dropped out of the 12-month comparison.

	3-month (%)	12-month
<b>All Property</b>	<b>+ 2.5</b>	<b>+ 5.1</b>
<b>Retail</b>	<b>+ 1.8</b>	<b>+ 3.0</b>
<b>Office</b>	<b>+ 1.9</b>	<b>+ 2.2</b>
<b>Industrial</b>	<b>+ 4.6</b>	<b>+12.4</b>

[IPD Monthly Index of total returns, June 2017]

## Outlook

12. Having disregarded geo-political risks for a long period, equity markets are beginning to worry about the standoff with North Korea and the unpredictable nature of any response from the US under President Trump. Meanwhile, the failure of his administration to get healthcare legislation through Congress has cast doubt on the likelihood of passing tax reform and infrastructure packages on which so many hopes rested. The turnover among senior White House staff, and the ongoing investigation into links with Russia, add to the uncertainty surrounding the direction of US policy on the major issues of the day.
13. After the UK election resulted in a hung parliament, and a severe weakening of the Prime Minister's authority, the equity market and sterling have reacted calmly, but the effect on domestic consumption of negative real wage growth seems likely to further depress UK

economic growth. The progress of Brexit negotiations with the EU will become an increasing influence on sentiment in markets and in the country at large, so the near-term outlook is highly uncertain.

14. Against this background, it is hard to see equity markets moving into new high ground, while the ‘safe-haven’ government bond markets may well attract investors and thereby keep yields in those markets at current levels.

**Peter Davies**

**Senior Adviser – AllenbridgeEpic Investment Advisers**

**August 11<sup>th</sup>, 2017**

[All graphs supplied by Legal & General Investment Management]



QUARTERLY REVIEW PREPARED FOR

Brent Council Pension Fund

Q3 2017

11<sup>th</sup> October 2017

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**BRENT COUNCIL PENSION FUND**  
**Quarterly Review, July – September 2017**  
**Report by the Independent Financial Adviser**

## Economy

1. The forecast growth rate for the UK economy in 2017 has been revised downwards to 1.5% after sluggish growth in the second quarter. Meanwhile, forecast growth rates in the other developed regions have been maintained or revised upwards.

(In the table below the bracketed figures show the forecasts made in August)

[Source of estimates: The Economist, October 7<sup>th</sup> 2017]

<b>Consensus real growth (%)</b>						<b>Consumer prices latest (%)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	
<b>UK</b>	+2.8	+2.3	+2.0	+1.5 (+1.6)	+1.3	+2.9(CPI)
<b>USA</b>	+2.4	+2.4	+1.6	+2.2 (+2.2)	+2.3	+ 1.9
<b>Eurozone</b>	+0.8	+1.5	+1.6	+2.1 (+1.9)	+1.9	+ 1.5
<b>Japan</b>	+0.3	+0.6	+0.9	+1.5 (+1.3)	+1.2	+ 0.6
<b>China</b>	+7.4	+6.9	+6.7	+6.8 (+6.7)	+6.4	+ 1.8

2. The Bank of England hinted that UK interest rates could rise before the end of 2017, while the US Federal Reserve is to start reducing its balance sheet by not re-investing the proceeds of maturing bonds, and is expected to increase rates again in December. The European Central Bank deferred a decision on changing its quantitative easing policy until its October meeting.
3. On September 22<sup>nd</sup>, in a speech in Florence, Theresa May set out more details of the UK's approach to the Brexit negotiations, but discordant voices within her Cabinet, and a troubled Conservative Party conference, have created renewed uncertainty about her tenure as Prime Minister.
4. In the German Federal elections on September 24<sup>th</sup>, Angela Merkel won a fourth term as Chancellor, but her CDU party's share of the vote declined sharply, and the extremist AfD party won 13% of the votes. She must now seek a coalition with the Greens and the FDP, after the SPD withdrew as a coalition partner. In Japan, Prime Minister Abe has called a snap election for October 22<sup>nd</sup>.
5. Tensions between North Korea and the United States escalated after North Korea carried out several missile tests, and President Trump responded with bellicose statements. Domestically, Trump has provoked more controversy with his equivocal comments after the rallies in Charlottesville, and disbanded two business advisory councils when members began to resign in protest at his remarks. Late in September, the Republicans published a tax reform plan, including reductions in corporate tax rates, which will now be debated in Congress.

## Markets

### Equities

6. For the second successive quarter, equity markets were little changed. The UK market continues to deliver a return significantly below that of overseas equity markets, while Continental Europe has been by far the strongest region during the past year.

	<b>Capital return (in £, %) to 30.9.17</b>		
<b>Weight %</b>	<b>Region</b>	<b>3 months</b>	<b>12 months</b>
<b>100.0</b>	FTSE All-World Index	<b>+1.3</b>	<b>+12.7</b>
54.2	FTSE All-World North America	+0.9	+12.6
8.3	FTSE All-World Japan	+0.1	+9.3
12.2	FTSE All-World Asia Pacific ex Japan	+0.7	+12.3
16.4	FTSE All-World Europe (ex-UK)	+3.6	+18.9
6.2	FTSE All-World UK	+0.8	+6.9
9.6	FTSE All-World Emerging Markets	+3.3	+13.2

[Source: FTSE All-World Review, September 2017]

7. The rise in the price of oil, and the improving outlook for global economic growth boosted the Oil & Gas and Basic Materials sectors, while most other sectors showed little change over the quarter.

	<b>Capital return (in £, %) to 30.9.17</b>		
<b>Weight %</b>	<b>Industry Group</b>	<b>3 months</b>	<b>12 months</b>
13.0	Technology	+4.3	+22.3
22.9	Financials	+1.6	+20.4
4.9	Basic Materials	+6.2	+20.3
13.0	Industrials	+2.3	+17.0
<b>100.0</b>	<b>FTSE All-World</b>	<b>+1.3</b>	<b>+12.7</b>
13.0	Consumer Goods	-0.9	+7.7
10.5	Health Care	-1.0	+6.8
10.2	Consumer Services	-2.2	+6.5
3.2	Utilities	-0.2	+4.5
6.2	Oil & Gas	+5.2	+1.5



3.1	Telecommunications	-0.7	-3.6
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[Source: FTSE All-World Review, September 2017]

8. The mid- and small-cap sectors of the UK market have out-performed the FTSE 100 over the past quarter and 12 months.

(Capital only%, to 30.9.17)	3 months	12 months
<b>FTSE 100</b>	<b>+ 0.8</b>	<b>+ 6.9</b>
<b>FTSE 250</b>	<b>+ 2.8</b>	<b>+11.2</b>
<b>FTSE Small Cap</b>	<b>+ 2.3</b>	<b>+14.8</b>
<b>FTSE All-Share</b>	<b>+ 1.2</b>	<b>+ 7.8</b>

### Bonds

9. As was the case in the second quarter, there was very little net change in the yields on medium-term government bonds in the major markets.

10-year government bond yields (%)					
	<b>Dec '14</b>	<b>Dec 2015</b>	<b>Dec 2016</b>	<b>June 2017</b>	<b>Sept 2017</b>
<b>US</b>	2.17	2.27	2.46	2.28	2.32
<b>UK</b>	1.76	1.96	1.24	1.33	1.41
<b>Germany</b>	0.54	0.63	0.11	0.47	0.47
<b>Japan</b>	0.33	0.27	0.04	0.09	0.05

### **Currencies**

10. The dollar and the yen were the weaker currencies during the quarter, while the pound kept pace with the euro. At one stage the pound reached \$1.36 – its highest level against the dollar since the EU referendum – but in early October it retreated to \$1.31.

				<b>£ move (%)</b>	
	<b>30.9.16</b>	<b>30.6.17</b>	<b>30.9.17</b>	<b>3m</b>	<b>12m</b>
<b>\$ per £</b>	1.299	1.299	1.342	+ 3.3	+ 3.3
<b>€ per £</b>	1.156	1.139	1.135	- 0.4	- 1.9
<b>Y per £</b>	131.5	146.0	151.0	+ 3.4	+14.8

### **Commodities**

11. The price of Brent crude rose by over 15% during the quarter to reach \$57 per barrel, its highest level for two years. This has been the result of a number of factors – the maintenance of the production curbs announced by OPEC countries and Russia in November 2016; the threat by President Erdogan of Turkey’s to turn off an Iraqi pipeline, and the interruptions to refining operations in Texas caused by Hurricane Irma.


## **Outlook**

12. Equity markets have edged gradually upwards despite geo-political concerns surrounding developments in North Korea and the Middle East. The impending interest rate rises in the US and UK, together with the tapering of quantitative easing by the US Fed – and possibly by the European Central Bank – are likely to act as a brake on equity markets as the cost of borrowing rises.
13. Similarly, government bond market yields are likely to rise in response to higher short-term rates, unless they become ‘safe havens’ in the event of political crisis, or if global economic growth begins to slow down. In either of these situations, equities can be expected to weaken significantly.

**Peter Davies**

**Senior Adviser – AllenbridgeEpic Investment Advisers**

**October 11<sup>th</sup>, 2017**

 <p><b>Brent</b></p>	<p><b>Pensions Fund Sub-Committee</b> 7 November 2017</p> <p><b>Report from the Chief Finance Officer</b></p>
For Information Purposes	Wards affected: ALL
<p><b>Update on the London CIV and the Fund's Investment Options</b></p>	

## 1. Introduction

- 1.1 This is an update on the London CIV and the timescales attached to making investments within it. In light of the investment options available, scrutiny of the Fund's current investment strategy and asset allocation is also provided.

## 2. Recommendations

- 2.1 The Committee is asked to note the recent developments with the London CIV.
- 2.2 The Committee is asked to approve a one off asset liability modelling exercise to review the Fund's investment strategy and asset allocation. The committee is asked to delegate authority to the Chief Finance Officer to select a suitable provider, with a view to reporting back to the committee with the results of the exercise.

## 3. Detail

- 3.1 At its recent Investment Advisory Committee (IAC) on 19th October 2017 the London CIV updated officers on existing and upcoming investments over the next 12 months.

### 3.2 Equities

The LCIV currently has two active global equity products available to invest; Newton (3 LLA's invested) and Baillie Gifford (9 LLA's invested). There is also one UK equity product through Majedie where 3 LLA's are invested. Between October and December 2017 (Phase 1) three more active global equity products will become available (Henderson's Emerging Markets, EPOCH Equity Income and RBC Sustainable Equity). All three of these products have

at least one seed investor committed. Phase 2 (between December 2017 and March 2018) will see two more products become available (Low Carbon Tracker and RWC Core Equity). Demand for these strategies is currently being determined. Allianz has been withdrawn from the LCIV platform and Longview is currently closed to new investors. LCIV are comfortable Longview's management and are working with them to see what capacity can be secured on behalf of LLA's.

3.3 This report considers only the equity portfolio, in light of the new offerings now available through the LCIV. Broadly, of the Fund's 45% allocation to equities 30% is allocated to global and 15% to UK equities. At present, apart from the 5% allocation to UK Small-Cap Equities, all of this is managed passively by Legal and General, on a fee basis negotiated by the LCIV. As a participating member of the LCIV, the Fund has expressed its intention to invest its assets through the London CIV as and when suitable investment solutions become available. (The Fund currently invests in two Diversified Growth Funds, Baillie Gifford and Ruffer, through the LCIV).

3.4 When considering the Fund's equity portfolio we have considered the following:

- *The proportion of equity assets held in active and passive management*

The Fund currently does not allocate to any active global equity managers as this part of the portfolio is all managed passively. The Committee could consider the appropriateness of this mix in light of the new offering through the LCIV.

- *The choice and balance of managers in the Fund's combined active global equity portfolio*

When considering an active equity manager allocation it is important to have the right balance between the managers. The managers vary by investment process and philosophy and therefore will have investment portfolios with different characteristics. Diversification brings lower volatility of returns and reduces the risk of prolonged underperformance should certain investment styles be favoured in the prevailing market conditions.

- *The allocation to emerging markets and the approach for accessing this investment*

The Fund currently does not allocate specifically to Emerging Markets, having terminated Dimensional's mandate in autumn 2015. Instead, it accesses the asset class through its global equity passive offering. Given the new investment available through the LCIV, the committee should consider if this allocation is still appropriate. While short term performance can be more volatile, emerging market equities may outperform developed equities over the long term, especially if managed on an active basis.

#### 4. Next Steps

- 4.1 Now that the LCIV has showcased all of the equity products available, each needs to be reviewed in more detail to understand which product or mix of products is right for the Brent Pension Fund. Each product has different portfolio constructions, investment processes and philosophies. In order to achieve a balanced portfolio, it is proposed to provide the Fund with a diversified set of managers who, when put together, can outperform the broader index.
- 4.2 Considering the complexities involved in selecting the right manager (s) for Brent and the timescales involved in launching the new products, it has created an opportunity to pause and reflect on our current investment strategy and asset allocation.
- 4.3 The Fund last undertook an investment strategy review in 2015. The main changes recommended in that review were:

Disinvest from active EM Equities (-8%)  
Reduce passive equities by 19%, and add 20% to active global equities  
Add 13% to Multi-Asset (DGF)  
Disinvest from Property (-8%)  
Add 2% to Infrastructure target allocation.  
A change of fixed income strategy (see para 5.3)

Since then, the Fund has been implementing those decisions, apart from the allocation to active global equities. The asset allocation was developed in a significantly different economic environment to which the Pension Fund now finds itself. Furthermore, the actuarial results of the Triennial Review needs to be digested to better understand our liabilities. Inevitably, the liability profile will have changed alongside a change in the economic environment.

- 4.4 It is therefore proposed to conduct an asset liability modelling exercise to consider the Fund's investment strategy in the context of the 31 March 2016 Actuarial Valuation and experience up to 31 March 2017. The purpose of this exercise is to re-assess the Fund's investment strategy in the context of the Fund's updated liabilities and to ensure appropriateness with the Committee's investment beliefs, views and objectives. This will not delay actions already in train to exit asset classes or investments or future investment opportunities. However, it will make decisions about fixed income more challenging in the short term. Therefore relative weightings between DGFs can also be reviewed during this period.
- 4.5 The primary objectives of the exercise are:
- To focus on the Fund's objectives and test the investment strategy relative to these objectives (and determine if another strategy maybe more appropriate). It would give a quantitative assessment of the Fund's progress, likelihood of achieving its objectives and the risk associated. This

would involve use member specific data and cashflows from the Fund actuary.

- To use quantitative analysis (asset liability modelling) of a range of funding strategies to test the current and alternative investment strategies against agreed metrics e.g. long-term success criteria and downside risk metrics.
- To provide a market based assessment to determine if there are strong market drivers to move away from the modelled strategic allocation on a short to medium term basis.
- To provide a high level sense check of the Fund's existing investment structure i.e. looking at specific asset classes and mandate, rather than just high level strategy. The review will provide some comments on the existing arrangements and suggest potential areas for further consideration.

4.6 It is also proposed that the scope of the review is tightly focused towards the LCIV's pipeline of investments (in particular equity and fixed income) with a view to developing a 12-18 month business plan which sets out the specific investments the Fund should invest in.

4.7 In order to give a flavour of the scope, range and complexities of investing in equity, fixed income, real assets and multi assets, Appendix A provides a helpful schematic and product map. It is an expectation of what is going to be offered in the future, as well as perceived priorities, and as such is subject to change.

4.8 The strategy review exercise will have a view on each type of investment shown in the schematic and the subsequent business plan will mean the Fund will be able to make quicker and more robust investment decisions when new products become available. It will also allow us to direct the LCIV to create the specific products that the Fund needs in order to execute the investment strategy. Completing the strategic re-allocation of the Fund is necessary to meet its long-term return targets and match its liabilities.

## **5. Fixed Income and cashflow strategies**

5.0 This has been the prime focus for the LCIV over the last quarter, with regular meetings of the fixed income working group taking place to review a range of approaches. LLA's have expressed strong demand for products in this area including private debt, multi-asset credit and global bonds. The Fixed Income Working Group is currently undertaking an investment due diligence exercise with a view to having products available between March and October 2018. This time period fits with the Fund's proposal to undertake a strategic review so that it can better inform the exact type of fixed income product that will be appropriate for the Fund.

5.1 Fixed Income is under allocated at present. The Bond Fund from Henderson only contains 11.4% of the 15% allocation but under the original investment

strategy, multi-assets and other fixed income products were considered more appropriate investments, particularly in light of the risks of a bond market that many view as significantly over-priced. It is therefore proposed to work with the LCIV to create other fixed income type investments in order to meet this allocation.

## **6. Infrastructure**

- 6.1 An infrastructure working group has been created and had its first meeting. Consensus was reached around the fund characteristics and the LLAs desire a Global strategy, with an income focus. A manager selection process and fund launch is expected in mid to end 2018. The LCIV see this fund as the first of a series of funds. Funds are likely to be launched on an annual or bi-annual basis, and will offer different opportunities across various sectors, geographies and strategy styles to satisfy various LLA demands, whilst simultaneously offering further diversification across infrastructure assets.
- 6.2 The Fund currently has an 8% allocation to infrastructure, managed by Alinda and Capital Dynamics. There are no plans to add to this allocation in the short term as there are some £28m of undrawn infrastructure commitments still to be met.

## **7. Financial Implications**

- 7.1 A brief internal procurement process will be undertaken to find a supplier that can deliver the asset liability exercise to the Fund's specific requirements. The cost of this exercise is currently unknown but is not expected to exceed £20k.

## **8. Legal Implications**

- 8.1 Not Applicable

## **8. Diversity Implications**


- 8.1 Not Applicable

## **9. Contact Officers**

- 9.1 Ravinder Jassar, Head of Finance, 020 8937 1487

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 <b>Brent</b>	<p><b>Pensions Board</b> 21<sup>st</sup> November 2017</p> <p><b>Report from the Director of Human Resources and Organisational Development</b></p>
For Information	Wards affected: ALL
<b>An Update on the Pension Administration Service</b>	

## 1.0 Summary

- 1.1 The Local Government Pension Scheme (LGPS) is a contributory Career Average Revalued Earnings (CARE) Defined Benefit scheme whereby pensions are calculated (and revalued) on a yearly basis, based on the pensionable pay members' receive for each year. Prior to 1<sup>st</sup> April 2014, the LGPS was a Final Salary Defined Benefit Scheme, meaning that members' pensions were calculated according to their length of service in the LGPS and their final pay at the date of ceasing active membership of the scheme.
- 1.2 This report includes not only the LGPS pension scheme and other benefits for Brent Council pensionable employees but also the other scheduled and admitted bodies within the borough area; with the exception of teachers who are covered under their own national pension scheme.
- 1.3 The administration of the LGPS scheme locally for Brent Council was transferred to Capita Hartshead (now Capita Employee Benefits), on 1<sup>st</sup> October 2011. The six year contract expired in September 2017 but was extended for another year. Two one year extensions are permissible under the contract so the current contract will now expire in September 2018. An update on options for a new supplier of pension administration services is contained in this report.
- 1.4 This report gives an update on three key areas of the pension administration service:
  1. Performance on issuance of the Annual Benefit Statements to members of the Brent Local Government Pension Scheme (LGPS) for the year 16/17.
  2. Brent's Record Keeping Plan lodged with The Pensions Regulator.
  3. Provision of the pension administration service when the current contract with Capita expires.

## 2.0 Recommendation

2.1 That the Pensions Board notes the updates.

### **3.0 Annual Benefit Statements (ABS)**

3.1 Under Regulation 89 of the Local Government Pension Scheme Regulations 2013, there is a requirement to issue Annual Benefit Statements to current contributors by 31<sup>st</sup> August each year following the end of the tax year in March. There is also a requirement under the Public Service Pensions Act 2013 to notify the Pension Regulator of failure to comply with the law.

3.2 Active members on the End of Year Returns as at 31 March 2017 supplied to Capita were 6,053 but this included 387 leavers so the active membership was 5,666. ABSs sent to active members sent by 31 August 2017 was 4,123. Since this date a further 142 ABSs were sent on 31 October 2017. Capita have sent a letter to 1,154 members informing them that they should be receiving an ABS. This leaves another 247 records with various queries.

3.3 There are a range of issues behind this. There are a number of active pension members who have left or retired between April and the end of August 2017. Any leaver would either become a pensioner, in which case they would not receive an ABS or a deferred member in which case they should still receive an ABS. In addition, there are a number of records that require further investigation due to low or no salary information. This group could be leavers that the pension administrators have not been notified about by the various employers/schools. Capita are currently undertaking a more detailed breakdown of the 1,401 active members without an ABS. The reasons include:

- 54 Now confirmed zero earnings cases so no ABS due.
- 776 records on return for which no corresponding pension administration record is held. A request for starter information has been sent to employer/school to ensure a record can be set up and a statement issued.
- 150 records where the full time equivalent pay was lower than the minimum wage and this has been queried with the employer/school.
- 136 where the CARE event was incomplete. These are being investigated by Capita and records corrected or a query put to the employer/school.
- 203 records missing CARE history. These are being investigated by Capita and records corrected or a query put to the employer/school.
- 82 CARE calculation issues. These are being investigated by Capita and records corrected or a query put to the employer/school.

3.4 The breakdown of performance on ABS is given below.

### Active Membership

Total number of active members as at April 2017 (Return says 6,053 but of these 387 are leavers and therefore no longer active)	5,666
Annual Benefit Statements sent to active members by 31 August 2017.	4,123
Annual Benefit Statements sent to active members by 31 October 2017 but were delayed due to queries that have now been resolved.	142
<b>Total number of ABS not sent out</b>	<b>1,401</b>

3.5 Of the deferred members, the latest position is given in the table below.

### Deferred Membership

Total number of deferred members as at 31 March 2017	8,014
Annual Benefit Statements sent to deferred members by 31 August 2017	6,027
<b>Total number of ABS not sent out. The reasons for this are given below.</b>	<b>1,987</b>
Deferred members past their normal retirement age whom Capita has contacted and 12 now are in receipt of pension.	103
IT adjustment required to Capita IT system HartLink to allow correction of some specific data so ABSs can be sent to those individuals affected by this fault.	371
Capita awaiting response from employers on a range of queries.	29
No current address. Often, when deferred members move, they do not inform the pension scheme of their new address so over a number of years, the pension scheme will lose track of individuals that do not update their address.	1,484

3.6 As 100% of ABSs had not been sent out by 31 August 2017, a material breach was reported to The Pension Regulator on 28<sup>th</sup> September 2017. A copy of the Breach Report is attached as appendix 1. Since the Breach Report was sent, a further 142 ABSs have been sent to active members. There has been engagement with the Regulator and a fortnightly progress report is required to be sent. The percentage of ABSs sent out in 2017 is an improvement on 2016 by about 9% but there are still underlying data issues to resolve.

## 4.0 Data and Record Keeping Plan

4.1 In June 2010 The Pension Regulator published record-keeping guidance with a view of improving industrywide pension scheme data. The guidance sets out a number of minimum requirements all pension schemes must meet in order to demonstrate good levels of understanding and adherence in ensuring the

upkeep of suitable data. Accurate pension scheme data is critical for the smooth running of a pension scheme to identify members and accurately calculate member benefits. The guidance categorised data in two ways 1) Common data and 2) Conditional data, each with a minimum number of requirements.

- 4.2 The Common Data items are: National Insurance number, surname, forename and/or initials, gender, date of birth, date pensionable service started, expected retirement date, membership status, last status event, address and postcode.
- 4.3 Conditional data consists of all the types of data used to accurately calculate benefits which are conditional to the make-up of each pension scheme.
- 4.4 The root cause of many underlying data issues rests with information flow from payroll providers for schools and other organisations (employers) which have admitted body status or are already LGPS members. The council provides payroll services for only four schools. This means that as administrators of the scheme, the council will frequently have to chase queries from other employers/payroll providers without the ability to have any mandatory requirements or sanctions if data is not forthcoming.
- 4.5 Appendix 2 is the Pension Scheme's "Record Keeping Plan". This is requirement especially where issues with data have been identified. The plan sets out the specific data that requires attention and remedial action together with an action plan. At the time of writing this report, we are awaiting feedback from The Pensions Regulator about the Record Keeping Plan. Quotes for costs for correcting data e.g. finding and verifying addresses for deferred members, have been sought. Address tracing is anticipated to cost £6k to £8k and other data cleansing and correction is likely to cost between £30k and £40k. This expenditure is necessary as having correct data will significantly contribute to more efficient administration of the scheme and greatly facilitate migration of the service to a new provider.

## **5.0 New Supplier for the Pension Administration Service**

- 5.1 The responsibility for the administration of the Local Government Pension Scheme (LGPS) for the Brent Pension Fund lies with Brent Council. The pension administration service has been outsourced since 1994. The current pension administration contract was awarded in 2010 for 6 years to Capita Hartshead now Capita Employee Benefits (Capita), and commenced 1 October 2011. The council is now in the sixth year of the contract and the contract has been extended for a further year. A further year's extension is also possible taking maximum use of the current contract up to 30 September 2019 but the intention is to make use of only one year of extension. Pension administration is complex due to the detailed data and legislative requirements for such service provision. It usually takes between 9 to 12 months to transfer such a service from one provider to another.
- 5.2 Prior to the expiry of the current contract, the Council explored the option of procurement of the pension administration contract through a mini competition using an existing procurement framework. The commercial market for pension

administration services is small and rather than procure a further contract, Officers considered that a shared service arrangement may offer the Council a better service going forward. The Council Management Team (CMT) approved this approach in July 2017. CMT discussed options for a shared service partner for pension administration at a meeting on 5 October 2017.

- 5.3 An engagement event with potential shared service partners was held on 4 September. Harrow Council, West Yorkshire Pension Fund, Lancashire Council, Wandsworth Council and Orbis (which comprises of Surrey, East Sussex and Brighton and Hove Councils) were invited to attend. Wandsworth Council did not attend as they felt it would not be fair to existing partners to bring on a new partner at the current time. Harrow Council did not attend as they had misunderstood the nature of the engagement. Lancashire County Council referred us to the Local Pensions Partnership (LPP) who attended on their behalf. LPP is a collaboration between the Lancashire County Pension Fund and the London Pensions Fund Authority (LPFA). It is a local government owned pensions services company. Orbis and the West Yorkshire Pension Fund (WYPF) also attended. On the day, three presentations were made to officers and the Chair of the Pension Board.
- 5.4 All three organisations clearly stated that a minimum of 9 months lead-in time was required for a successful transition. This ties in with timescales for the current contract which currently will cease in September 2018. A delay in implementation would have detrimental consequences for the successful completion of three major projects: 1) the triannual re-enrolment project which is due in early 2019, 2) the next triennial valuation of the pension fund which is due as at 31 March 2019 and 3) the provision of the ABSs for 2019.
- 5.5 The Council's objectives for the service are to secure best value for money, achieve consistent quality of performance, improve the quality of data and ensure ease of implementation and transition. The Council considered the relative merits of the three organisations that attended the engagement event and these are detailed below. After the presentation, a process of review took place between Finance and HR. This resulted in a number of calls to the three potential partners for clarification on service provision and costs.

### **Orbis**

- 5.6 Orbis is a partnership between three councils Surrey, East Sussex and Brighton and Hove.
- Orbis pension administration operates Altair software the most common type across LGPS.
  - Orbis provides pension administration to 2 Councils and in addition 4 London Boroughs, three of whom had been on the London framework and were previously clients of Capita. Therefore they have experience with transferring from Capita's bespoke pension administration system HartLink.
  - As Orbis is a partnership of local authorities, Brent Council would be able to enter into a shared service arrangement. Any shared service agreement means that the councils have a mutual understanding that the administration service is being provided for the benefit of participating councils and its other customers.

Orbis costs were significantly higher than the other two presenters and costs for software implementation were also very high. Annual software licence costs are in addition to the annual service provision costs which is not the case for the other two providers. Given that Orbis costs were so much higher, it is recommended that the Council does not enter into a shared service partnership with Orbis.

### **Local Pensions Partnership (LPP)**

- 5.7 The Local Pension Partnership (LPP), is a local government owned not for profit limited company.
- As a partner with the LPP Brent Council would not have an input into the LPP Board but there is an advisory board to which Brent could input.
  - The LPP pension administration operating system is Altair which is the standard local government pension administration system operated by approximately 90% of the LGPS Funds in England and Wales. Aquila Heywood is the software supplier of Altair and the near monopoly means licence costs tend to be higher for system use.
  - LPP although a relatively new entity, can draw on the experience of the LPFA, formally one of the main suppliers of LGPS administration. The LPFA indicated two years ago that it was going to focus on pension fund investment rather than pension administration.
  - The shared service arrangement would be with Lancashire County Council.
  - LPP have a wide range of organisations to which it provides pension administration services.
  - The range of organisations to which pension administration is provided and the expertise in provision of such services gives confidence that the LPP can provide a quality pension administration service.

### **West Yorkshire Pension Fund (WYPF)**

- 5.8 West Yorkshire Pension Fund is a joint service run with West Yorkshire and Lincolnshire Pension Fund.
- WYPF confirmed on the day that Brent would have a genuine partnership being able to input into the running of pension administration.
  - WYPF operate Civica as their pension administration software which is the second largest system used by Local Government Pension Scheme providers in England and Wales but that is about five percent of the market. Licenses for this software are significantly cheaper than Altair.
  - WYPF operating costs were the lowest of the three presenters.
  - WYPF implementation costs were also significantly lower than LPP although WYPF indicated that if implementation costs are greater than those specified, these extra costs would be passed on.
  - WYPF currently provide a pension administration service for a number of fire pension schemes and the Lincolnshire Pension Fund too.

Although the costs for WYPF are cheaper, serious consideration has to be given to sustainability of quality of service provision into the future. Table 1

below summarises factors taken into account when considering a service provided by LPP or WYPF.

**5.9 Table 1**

	<b>Factor</b>	<b>LPP</b>	<b>WYPF</b>
1.	Implementation Costs	Expenditure driven by higher costs for implementing Altair but seems more realistic when considering complexities and length of time for implementing a new pension administration service.	Officers think WYPF have underestimated total implementation costs. WYPF has informed the Council that if costs are higher than specified, these will be passed on which means an unknown additional amount at this time.
2.	Operating system	Altair Proven to deliver across most LGPS pension schemes but the software supplier has a near monopoly (over 90%) so costs are higher. Altair does calculations within the system so does “end to end” processing.	Civica Proven to deliver for those funds for which it operates but only has about 5% of the LGPS market. Civica is not “end to end” and does calculations externally which then have to be fed back into Civica. This creates additional processes.
3.	Customers	Includes London Boroughs such as One Source and Ealing; Lancashire and Hertfordshire County Council. Fire Services such as Kent, Lancashire, Hertfordshire, Bedfordshire, Merseyside	No London Boroughs to date. Lincolnshire, West Yorkshire County Councils. Fire Services such as Dorset & Wiltshire, Berkshire, Devon & Somerset.
4.	Experience of bringing in Capita contracts and Hartlink	Yes – Cumbria County Council	No
5.	Governance	Entering into a shared service with Lancashire County Council places the service delivery at arm’s length and would not be such a close partnership as would be possible with WYPF. Legal have confirmed that it would be possible to enter into a shared service with Lancashire County Council.	As WYPF is part of Bradford Metropolitan Council, the service provision would not be at “arm’s length” and this would be potentially a closer partnership.

6.	Quality of Service Provision	LPP is the new vehicle of pension administration for the LPFA which is now focusing on pension fund investment. As such, it has a wide breadth of experience of pension administration including London Boroughs. LPP is bigger than WYPF having 520,000 members.	WYPF has recently been shortlisted for the scheme administration award in the LAPF Investment Awards and were Pension Age Awards finalists. WYPF are the third largest of 89 local authority pension funds (447,000 members).
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- 5.10 Of the three potential partners WYPF are able to better match the price currently paid by the Pension Fund for the pension administration service. However, given the data quality issues that have been identified by the Actuary and the performance issues that have come to light with the Annual Benefit Statement exercises, it is considered that LPP should be partnered with due to their experience in migrating pensions administration from Capita and experience in delivering a sustained quality service for a range of other LGPS bodies including other London Boroughs.

## **6.0 Legal Implications**

61. The Public Service Pensions Act 2013 enables The Pensions Regulator to request information, issue Improvement Notices and civil penalties and carry out inspections. The Regulator has statutory objectives which include promoting and improving understanding of the good administration of work-based pensions to protect member benefits.
- 6.2 Part of the functions of the Pensions Board is to secure compliance with any requirements imposed by the Pension Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme. The Pension Regulator's Draft Code of Practice stresses the need for Pensions Boards to exercise effective oversight for the Scheme's administration in circumstances where the day to day running is outsourced to an external provider and states "The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme ..... Schemes should ask their service providers to demonstrate how they comply with the legal standard of adequate internal controls for the services they provide."

## **7.0 Diversity Implications**

- 7.1 No adverse diversity implications have been identified.

## **8.0 Staffing/Accommodation Implications (if appropriate)**

- 8.1 No specific staffing implications.



## **Attachments**

Appendix 1           Breach Report to “The Pensions Regulator”  
Appendix 2           Record Keeping Plan

**Contact Officer:**   David Veale   Extn: 4595  
                              david.veale@brent.gov.uk

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# The Pensions Regulator

## Breaches of Law (Disclosure breach)

<b>Your scheme details:</b>
LGPS - London Borough of Brent Pension Fund

## 1. Introduction

The details on the following pages are taken from the Breach of Law: Disclosure breach submitted on 28 September 2017 at 6:32 PM.

These details were submitted by Ms Anna Maria McCormack.

## 2. Scheme details

Scheme details	
Scheme name	LGPS - London Borough of Brent Pension Fund
PSR number	10272080
Benefit type	Defined benefit
Address	London Borough of Brent Brent Civic Centre Engineers Way WEMBLEY Middlesex HA9 0FJ United Kingdom

3. Breach of law details

Breach of law details	
<b>Breach details</b>	
Breach date	31/08/2017
What type of disclosure has been breached?	Failure to supply Annual Benefit Statement
Details of the breach	<p>i. The number of members that have not received the 2017 Statements broken down by membership data Active 1556 Deferred 2095</p> <p>ii. The number of members that have correctly received the 2017 Statements broken down by membership status Active 4123 Deferred 5919</p> <p>iii. An explanation for the delay in providing the statements. Active There have been a number of issues that have meant that 1556 ABS have not been issued to date</p> <p>a) Late returns from employers/schools b) There were 931 records on the return for which no corresponding pension administration record was held, a request for starter information has been sent to the school/employer to ensure that a record can be set up and a Statement issued. c) There were 204 records where the full time equivalent pay was lower than the minimum wage and this has been queried with the school/employer d) There were 136 CARE event was incomplete. These are being investigated by Capita and the records corrected and if the information is unavailable referred back to the employer or school. e) There were 203 Missing CARE history. These are being investigated by Capita and the records corrected and if the information is unavailable referred back to the employer or school. f) There were 82 CARE calculation issues. These are being investigated by Capita and the records corrected and if the information is unavailable referred back to the employer or school.</p> <p>Deferred a) There were 108 newly notified leavers who have been sent a deferred benefit statement. b) There are 1484 deferred members that we do not hold an up to date address for. Brent are in the process of commissioning a tracing service to locate addresses and despatch the ABS for these members. c) There are 103 were the member were over the Normal Retirement Age and they have been sent a letter to claim their deferred pension d) There are 371 records that are awaiting an IT correction with our pension administrator Capita's system and once this has been made the ABS will be despatched. e) There are 29 records with queries that have been referred back to the employer and Capita are awaiting a response.</p>
<b>Rectifying the breach</b>	
Has this breach been rectified?	No

What steps are being taken to rectify the breach?	<p>Please see earlier comments on details of the breach. As previously notified our analysis of the 2016 and 2017 ABS have identified a large number of un-notified and/or un-actioned leavers on our pension administration system. We came to this conclusion as individuals have been missing from the year end returns for two consecutive years. We are in the process of contacting scheme employers for leaving details so that members can be notified of their entitlements.</p> <p>We are working on a record keeping plan to address the areas of concern in respect of un notified leavers, missing addresses for our deferred benefits and a report from our administrator Capita Employee Benefits on our common and conditional data</p>
What are the timescales for completion?	<p>Whilst every effort is being made to correct and create records to despatch Statements, it may be that we will still not be in a position to despatch some Statements. Therefore the proposal is that as at the if there are still statements not issued by 15 October then those scheme members will be sent a letter by 31 October 2017 apologising for the delay and informing them of the efforts being made to bring their record up to speed.</p>
<b>Additional breaches or any other information</b>	
Breach details or additional information	None

#### 4. Trustee/Scheme Manager details

Trustee/Scheme Manager details	
Company name	London Borough of Brent
Title	Ms
First name	Anna
Surname	McCormack
Type of trustee	Other
Direct telephone number	0208-937-3190
Email address	anna.mccormack@brent.gov.uk
Address	London Borough of Brent Brent Civic Centre Engineers Way WEMBLEY Middlesex HA9 0FJ United Kingdom



**5. Employer details**

<b>Employer details</b>	
Employer name	London Borough Of Brent
Employer trading status	Active
Companies house number	None
Registered charity number	None
Title	Ms
First name	Anna Maria
Surname	McCormack
Direct telephone number	020 8937 3190
Email address	anna.mccormack@brent.gov.uk
Address	London Borough of Brent Brent Civic Centre Engineers Way WEMBLEY Middlesex HA9 0FJ United Kingdom

**6. Reporter(s) details**

Reporter's details	
Title	Ms
First name	Anna
Surname	McCormack
Role in scheme	Scheme administrator
Role in scheme - further details	None
Direct telephone number	020-8937-3190
Email address	anna.mccormack@brent.gov.uk
Address	London Borough of Brent Brent Civic Centre Engineers Way WEMBLEY Middlesex HA9 0FJ United Kingdom

Local Government Pension Scheme  
Record Keeping Plan  
November 2017



## Human Resources

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## 1. INTRODUCTION

- 1.1 This document provides information on London Borough of Brent Pension Fund record keeping plan to comply with the Pensions Regulator's (TPR) record keeping guidance.

## 2. BACKGROUND

- 2.1 In June 2010 TPR published record-keeping guidance with a view of improving industrywide pension scheme data. The guidance sets out a number of minimum requirements all pension schemes must meet in order to demonstrate good levels of understanding and adherence in ensuring the upkeep of suitable data.
- 2.2 Present and accurate pension scheme data is critical for the smooth running of a pension scheme to identify members and accurately calculate member benefits. Maintaining good quality data is also a basic fiduciary duty of trustees and is enshrined in law.
- 2.3 The guidance looks to address data categorized in two ways – Common data and Conditional data – and for the different data types they set out a number of minimum requirements that need to be met:

## 3. COMMON DATA

- 3.1 There are 11 key data items used to identify the scheme membership that are common to all pension schemes. These items are essential to the confirmation of the member's identity and are common to all scheme. The Common Data items are: National Insurance number, surname, forename and/or initials, gender, date of birth, date pensionable service started, expected retirement date, membership status, last status event, address and postcode.

Data analysis must be undertaken on at least an annual basis

- All data must be present for 95% of 'Legacy' members (those who have not had data changes since 2010)
  - All data must be present for 100% of 'New' members (those who have had data changes since 2010)
  - A plan must be in place to address data issues where a scheme is falling below the above prescribed targets
  - The Accuracy of data must be tested, not just the presence of data
- 3.2 Our pension administrators, Capita have run their Coredata™ Essentials analysis and have assessed the overall presence of Brent Council Common data against TPR's requirements as follows:

Pension Scheme	Overall Data Presence	
	Legacy	New
London Borough of Brent Pension Scheme	80.11%	94.03%

- 3.3 As the Common data standard for the scheme is below the standards set by TPR the Council will ensure that Common data inaccuracies are corrected immediately in order to bring the Common data items up to the required standard.

Data Item	Number of Errors
National Insurance Number	192
Surname	0
Forename(s) or Initials	189
Gender	0
Date of Birth	7
Date Pensionable Service Started	5
Expected Retirement Date	0
Membership Status	887
Last Status Event	151
<b>Total</b>	<b>1431</b>

Data Item	Number of Errors
Address	2,101
Address Verification	2,101
Postcode Acquisition	664
<b>Total</b>	

- 3.4 Below are the initial solutions Brent Council will take to attempt to rectify any data issues that may have been highlighted in the report supplied by Capita. Should the actions detailed below not be successful then the Council will consider further actions they can undertake to resolve these data issues.

Data Issue	Recommended Action
National Insurance Number (NINO)	Undertake a data capture exercise by writing to members requesting evidence of their NINO or confirmation they have never received one i.e. overseas members.
Surname	Review member back files to locate data and update accordingly
Forename(s) or initials	Review member back files to locate data and update accordingly
Gender	Review member back files to locate data and update accordingly
Date of Birth	Review member back files to locate data and update accordingly
Date Pensionable Service Started	Review member back files to locate data and update accordingly
Expected Retirement Date	Review member back files to locate data and update accordingly
Membership Status	Review member back files to locate data and update accordingly
Last Status Event	Review member back files to locate data and update accordingly

#### 4 Conditional Data

This data consists of all the types of data used to accurately calculate benefits which are conditional to the make-up of each pension scheme. The requirements are:

- Data analysis must be undertaken 'regularly'
  - Capita have recommended at least every 3 years, or
- No specific target but expectation is quality of data should be high
- A plan must be in place to address data issues where a scheme is falling below the Council's accepted quality levels

## ACTION PLAN

4.1 Below is the action plan

	Objective	Actions	Owner	Due Date	Milestones
1.	To locate addresses for deferred and current members	Commission an outside organization to provide missing addresses	Head of Employee Services	June 2018	<ul style="list-style-type: none"> <li>30 November agree provider</li> <li>Correction and rectification by 30 June 2018</li> </ul>
2.	Ensure accurate and complete Common Data for all scheme members	Review the common data on an annual basis	Head of Employee Services	Annually in September	<ul style="list-style-type: none"> <li>Review actions arising from reports</li> </ul>
3.	Annual Benefit Statements	Make annual benefit statements available online for both current and deferred members	Head of Employee Services	December 2018	<ul style="list-style-type: none"> <li>Launch online ABS for current members by 31 December 2017</li> <li>Correspond with deferred members regarding future ABS by 31 August 2018</li> </ul>
4.	Common Data Fails	Commission data cleansing and rectification on the issues raised following the report showing common data fails	Head of Employee Services	March 2018	<ul style="list-style-type: none"> <li>Commission data review by 30 November 2017</li> <li>Correction and rectification undertaken by 31 March 2018</li> </ul>
5.	Communication	Annual contact with members to remind scheme members of their obligation to keep their	Head of Employee Services	Annually	<ul style="list-style-type: none"> <li>Newsletters and ABS</li> </ul>



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