



## Pension Board

**Wednesday 13 March 2019 at 6.00 pm**

Board Room 2 - Brent Civic Centre, Engineers Way,  
Wembley HA9 0FJ

### Membership:

#### Members

Mr Ewart  
Councillor Crane  
Mr Dawson  
Ms George  
Councillor Kabir  
Mr Stewart

#### Representing

Independent Chair  
Brent Employer representative  
Member representative (Pension scheme)  
Member representative (Unison)  
Brent Employer representative  
Member representative (GMB)

#### Substitute Members

Councillors:  
Marquis and RS Patel

**For further information contact:** Joe Kwateng, Governance Officer  
joe.kwateng@brent.gov.uk; 020 8937 1354

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:  
**[www.brent.gov.uk/committees](http://www.brent.gov.uk/committees)**

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

**Members' training session will start at 5.00pm in Boardroom 2**

## **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 significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then 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 of 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 or 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 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 is the subject of a registrable personal interest.

# Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members.

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 discloseable pecuniary interests in any matter to be considered at this meeting.	
<b>3 Minutes of the previous meeting and Matters arising</b>	1 - 6
To approve the minutes of the previous meeting as a correct record and consider matters arising from the minutes.	
<b>4 The Pensions Regulator</b>	
The Pensions Regulator will be making a presentation to the Board.	
<b>5 Pensions Administration Update</b>	7 - 12
This report updates the Pensions Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund. This includes the outcome of the statutory re-enrolment process, the upcoming triennial valuation of the fund, annual benefit statements for 2019 and an update on the engagement with The Pensions Regulator.	
<b>6 Pensions Administration Performance Report</b>	13 - 16
This report updates the Pension Board on performance of the pensions administration contract with LPP.	
<b>7 Updated Brent Risk Register 2019</b>	17 - 32
This report presents the updated Risk Register for the Brent Pension Fund Pensions Administration Service.	

<b>8</b>	<b>Update on the Record Keeping Plan 2019</b>	33 - 44
	<p>This report sets out the London Borough of Brent Pension Fund Record Keeping Plan (as amended in February 2019). The plan primarily relates to various activities and objectives that cover the period January 2019 to December 2019 and beyond.</p>	
<b>9</b>	<b>Brent Pension Board Terms of Reference review</b>	45 - 72
	<p>The purpose of this report is to update the terms of reference of the Brent Pension Board, taking into account relevant guidance from The Pensions Regulator, advice from the Fund actuary and implementing lessons learned from recent training events. The aim of the revised terms of reference will be to further clarify the roles and responsibilities of the Pension Board to board members, pension fund members, officers and other interested parties.</p>	
<b>10</b>	<b>LGPS Regulations Update</b>	73 - 138
	<p>This report updates the board on recent changes to the Local Government Pension Scheme (LGPS) regulations and other key developments from the Local Government Association's Pensions Committee.</p>	
<b>11</b>	<b>Implementation of the Investment Strategy</b>	139 - 146
	<p>This report updates the committee on progress on the implementation of the investment strategy</p>	
<b>12</b>	<b>Monitoring report on fund activity for the quarter ended December 2018</b>	147 - 168
	<p>The report provides a summary of the Fund's activity during the quarter ended 31 December 2018. It examines the economic and market background, and investment performance, as well as commenting on events in the quarter.</p>	
<b>13</b>	<b>London CIV Update</b>	169 - 174
	<p>The purpose of this report is to update the committee on recent developments within the London CIV and the timescales attached to making investment decisions.</p>	
<b>14</b>	<b>MHCLG Statutory guidance on asset pooling in the Local Government Pension Scheme Consultation</b>	175 - 188

The Ministry of Housing, Communities and Local Government (MHCLG) have launched an informal consultation on draft new statutory guidance on asset pooling. This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets and builds on previous Ministerial communications and guidance on investment strategies

## **15 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 60.

## **16 Date of next meeting**

The date of next meeting will be confirmed at the Council's Annual General Meeting in May 2019.



- 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.

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## **MINUTES OF THE PENSION BOARD** **Thursday 13 December 2018 at 6.00 pm**

PRESENT: Mr Ewart (Chair), Councillor Crane and Councillor Kabir, Ms Bola George and Mr Sebastian Steer.

1. **Apologies for absence**

Mr Euton Stewart and Mr Trevor Dawson.

2. **Declarations of interests**

None declared.

3. **Minutes of the previous meeting - 24 July 2018**

The minutes of the meeting held on 24 July 2018 were approved as an accurate record.

4. **Matters arising**

None.

5. **Pensions Administration - monitoring and contract arrangements**

The Board received a performance report as part of its remit to oversee the administration of the Brent Pension Fund. The report included commentary on performance indicators, administrative updates and recent developments.

Ravinder Jassar (Head of Finance) provided the updates. Members heard that an annual benefit statement (ABS) was issued to all members identified on the year end returns from employers by the statutory deadline of 31 August 2018 for active members within the scheme apart from a small number of records where either data was missing or queries from year end returns had not been resolved in time. The vast majority of these employers were schools that were closed over the summer months and could not respond to Capita's queries in time for the scheduled print run in mid-August. Given the change in administrator during this period, each of the outstanding queries had been logged and case files transferred to LPP. LPP would be working with the relevant employers to resolve the remaining outstanding queries to enable them to issue a manual statement of benefits to those members.

In relation to deferred members, an ABS was sent to all members where an up to date address was held. Last year 1,478 records did not have an up to date address and so did not receive an ABS. The scheme manager then procured the services of a specialist tracing company, Target, who were successful in finding the new addresses of over 75% of those members. There remained 364 deferred members where an up to date address could not be found and so did not receive an ABS in this year's ABS rollout. Those members were proving more difficult to find and so

further, more extensive, search options were being explored with both Target and LPP. As Target suspected that some of these members may have moved overseas and/or deceased, this exercise could be somewhat expensive. For reasons set out within the report it was considered that the less than 100% ABS would not constitute a material breach to warrant reporting to The Pension Regulator (TPR).

Mr Jassar then reported on the successful smooth transition to LPP on 1<sup>st</sup> October 2018 when the service went live as planned. Monthly contract performance meetings had since been arranged where performance against agreed service level agreements (for example time taken to process joiners, transfers in/out, retirements, deaths, refunds, etc.) would be monitored and reported to the Pension Board on a quarterly basis. The Annual Scheme return 2017/18 Scheme Return for the Brent Pension Fund was submitted to TPR ahead of the statutory deadline of 6 November 2018.

He then reported that back in August 2018, the TPR had written to the scheme manager informing him that they would be conducting an in depth engagement to discuss governance and administration of the scheme. To this end, he emphasised the need for members' training to ensure that members had the skills, knowledge and understanding to support the scheme in running properly. Mr Jassar undertook to send a link to TPR's free online learning programme (the Trustee toolkit) which all members of the Pension Board were expected to complete.

In welcoming the report, members thanked officers for the smooth transition of the administration service to LLP whose officers had, thus far, demonstrated efficiency in resolving queries.

RESOLVED:

That the report from the Chief Finance Officer on Pensions Administration – monitoring and contract arrangements be noted.

## **6. Pensions Administration Strategy**

The Board received a report that presented the revised Pensions Administration Strategy (PAS) for the Brent Pension Fund. The PAS is a statement that outlined the policies and performance standards towards providing a high quality, effective and efficient pensions administration service.

Mr Ravinder Jassar (Head of Finance) outlined the methodology in producing the revised strategy which involved officers working closely with LPP and consulting with Employers to obtain their feedback on the document. On receipt of the new proposed strategy, a number of comments were received, primarily from schools. The main concern was the concept of charging for non-compliance. Following this feedback it was agreed to revise the PAS to clarify to employers, the legal and regulatory framework within which pension's administration operated. It was also agreed to be more explicit that charging would be a last resort which would only be pursued in exceptional circumstances where employer performance repeatedly fell short of expectations. He emphasised that the first port of call would always be, to engage and educate employers before such action was considered.



Mr Jassar drew Members' attention to the revised PAS attached as appendix A to the report and asked for comments and feedback. He envisaged that the revised strategy would be sent to employers in December.

A member stated that schools were satisfied with the approach that the charges would apply in a reasonable and positive way. In welcoming the revised strategy, members commented that the document would improve the working relationship between Employers and the Council. Additionally, it would promote the ultimate aim which was to educate employers on how to provide accurate and timely data to the Fund and hence improve the service provided to scheme members.

RESOLVED:

That revised pensions administration strategy attached as an appendix to the report be noted.

## **7. Risk Management Strategy and Risk Register**

The report presented the revised Risk Management Strategy and Risk Register for the Brent Pension Fund Pensions Administration Service. Members were informed that having a strategy and register in place was not only considered a good practice but also a way for the scheme manager to identify and manage scheme risks.

Mr Ravinder Jassar (Head of Finance) informed members that using guidance from The Pensions Regulator and CIPFA, together with Brent's internal risk management resources, a process was undertaken to produce a risk management strategy that was unique to Brent's circumstances. This involved a workshop that identified all of the relevant risks; assessment of risks in terms of likelihood, understanding risk management and contingency planning, monitoring risks and documentation in a register.

He added that it was recognised that risk management worked well when the administering authority, the Pensions Board and employers worked together. All parties then understood each other's capacity and appetite for risk. Members heard that key elements of the risk strategy were discussed at a recent working party set up with the scheme manager, administrator and select employers for feedback and comment. Going forward, further engagement was planned as part of the employer consultation of the new Pensions Administration Strategy.

RESOLVED:

That the report on risk management strategy and risk register be noted.

## **8. Local Government Association's Pensions (LGPS) regulations**

The report before members updated the board on recent changes to the Local Government Pension Scheme regulations and other key developments from the Local Government Association's Pensions Committee. Mr Ravinder Jassar (Head of Finance), in explaining the processes involved stated that every three years all employers had a legal duty to assess and re-enrol staff who have left the workplace pension scheme. This was known as 're-enrolment'. Each employer must then submit a re-declaration of compliance to The Pensions Regulator informing them

that our legal duties have been met, even if there were no staff to re-enrol. He continued that Brent last carried out re-enrolment duties on 1 February 2016 and would need to do so again in 2019. He advised that failure to comply with all of the relevant steps may result in enforcement actions including fines by TPR.

Members heard that the next triennial valuation, the purpose of which was to ensure that periodic assessments gave an insight into whether the Fund had sufficient assets to meet its liabilities, would take place on 31st March 2019. Employer contribution rates may change depending on the results of valuations. In order to ensure a smooth 2019 valuation process, planning with the actuary including completion of key valuation calculations had already begun. On Data cleansing, Mr Jassar advised that officers had engaged with Hymans earlier than previous valuations to agree a valuation timetable, review and test key contribution strategies. In addition, engagement with employers' forum was held on 12 October notifying employers of the valuation plans and a further event was planned in February 2019.

Mr Jassar then drew Members' attention to The Local Government Association's Pensions Committee monthly bulletin for employers and members that covered a wide range of pensions administration topics. The bulletins produced in the months up to the date of despatch of this report were attached as appendices.

RESOLVED:

That the report on Local Government Association's Pensions (LGPS) regulations and the appendices attached to the report be noted.

#### **9. Proposed adoption of the new investment strategy**

The Board considered a report that provided updates on further work undertaken since the presentation of the investment review in June 2018, and the decisions now proposed, to implement the strategy over the short to medium term. Members were being asked to note the recommendations of the report which had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 6<sup>th</sup> November 2018. Mr Ravinder Jassar (Head of Finance) informed the Board that all new investments were being made through the London Collective Investment Vehicle (London CIV). With that in view, a member requested that a recommendation be made to the Pension Fund Sub-Committee for a Trade Union representative to sit on London CIV shareholder committee with full voting rights.

RESOLVED

That the following recommendations approved by Brent Pension Fund Sub-Committee be noted;

- (i) Approved the Investment Beliefs as set out in Appendix A.
- (ii) Approved the proposed target and interim asset allocation as set out in Appendix B.

- (iii) Granted delegated authority to the Chief Finance Officer to sell holdings that are not consistent with the new strategy and to acquire new holdings. This includes the following:
- (a) To sell the Janus Henderson Total Return Bond and buy passive longer dated gilts with BlackRock and the London CIV Multi Asset Credit Fund, utilising some of the available cash held for investment (as set out in section five);
  - (b) To sell Janus Henderson Small caps UK equities mandate (as set out in section seven);
  - (c) To hold a more regionally diversified approach to global equities, by reducing the Fund's UK equity exposure and introducing an allocation to emerging markets (as set out in section four); and
  - (d) To utilise part of the current cash balance available for investment in the interim when suitable investments become available to achieve the proposed Investment Strategy (as set out in section seven) of the report.

#### **10. Responsible Investment Policy**

The Board considered a report that presented the Responsible Investment Policy of the London Collective Investment Vehicle (London CIV). The policy detailed the approach that the London CIV aimed to follow in integrating environmental, social and governance ('ESG') issues in its investments. Members were being asked to note the recommendations of the report which had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 6<sup>th</sup> November 2018.

RESOLVED:

That the Responsible Investment Policy as set out in the report be noted and supported.

#### **11. Monitoring report on fund activity Quarter to June 2018**

The Board received a report that provided a summary of the Fund's activity during the quarter ended 30 June 2018, examined the economic and market background, and investment performance, as well as commenting on events in the quarter. Members were being asked to note the recommendations of the report which had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 6<sup>th</sup> November 2018.

Members heard from Ravinder Jassar (Head of Finance) that during the quarter ending 30 June 2018, the Fund increased in value by 5.4% (£44.6m) from £831.1m to £875.8m, an improvement from the reduction in value of the fund of £23.9m in the last quarter. The increase in the value of funds was mainly attributable to the increase in the value of UK and Global Equities; primarily Global Equities with an increase in value of £21.4m. The value of cash being held had also increased by £14m since the last quarter.

RESOLVED:

That the contents of the report and Independent Financial Adviser's investment report be noted.

**12. Brent Pensions Fund Annual Accounts and Annual report (audited version).**

The Pension Board received a report that presented the audited Pension Fund Annual Report and Annual Accounts for the year ended 31 March 2018. Members were being asked to note the recommendations of the report which had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 6<sup>th</sup> November 2018.

Ravinder Jassar (Head of Finance) informed members that against a backdrop of continued uncertainty in the global economy and increased volatility in the financial markets, the value of the Fund's investments increased from £802.6m to £831.3m. Total contributions for the year increased whilst total benefits paid to scheme beneficiaries decreased on the previous year's figures. Members heard that during the year, College of North West London exited the Fund and BHP was brought back within the direct control of Brent Council, however the net impact on the Fund was nil.

In welcoming the report, Members were united in expressing their thanks to the Head of Finance and his team of officers.

RESOLVED:

That the Brent Pension Fund Annual Report and Accounts 2017/18 be noted.

**13. Date of next meeting**


The date of next meeting was likely to be postponed from February to March 2019. Members would be advised when it was confirmed.

**14. Any other urgent business**

Members were united in expressing their best wishes to Ms Folake Olufeko (Senior Finance Analyst) during her maternity leave from January 2019.

The meeting closed at 6.55 pm

MR. D EWART  
Chair

 <b>Brent</b>	<b>Pension Board</b> 13 March 2019
	<b>Report from the Chief Finance Officer</b>
<b>Pensions Administration Update</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	0
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 This report updates the Pensions Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund. This includes the outcome of the statutory re-enrolment process, the upcoming triennial valuation of the fund, annual benefit statements for 2019 and an update on the engagement with The Pensions Regulator.

## 2.0 Recommendation(s)

- 2.1 The board is recommended to note the report.

## 3.0 Re-enrolment

- 3.1 Every three years all employers have a legal duty to assess and re-enrol staff who have left the workplace pension scheme. This is known as 're-enrolment'. Each employer must then submit a re-declaration of compliance to The Pensions Regulator informing them that our legal duties have been met, even if there are no staff to re-enrol. The re-enrolment date for the Brent Pension Fund was selected to be 1 February 2019.

### 3.2 On that date:

- 156 staff were enrolled into an eligible pension scheme;
- Of these, 150 staff were enrolled into the LGPS, 2 staff were enrolled into the NHS pension scheme and 4 staff were enrolled into the Teachers' pension scheme;
- A total of 71 opt-outs have been received across the LGPS and NHS schemes, these were split between 70 opt-outs of the LGPS and 1 opt-out for the NHS pension scheme.
- 16 members in the 50:50 section of the scheme were informed they would be transferred to the main scheme unless they made a fresh election. 10 members of staff made a new election and 6 were moved to the main scheme;
- A further 4 new elections to the 50:50 scheme were received;
- Returns were provided by 34 out of 36 community maintained schools, covering both LGPS and Teachers Pensions staff. The remaining 2 schools have informed the fund that they will be confirming details of their re-enrolment shortly.
- Communications were sent to each re-enrolled member either electronically or via post.

## 4.0 Employer training

- 4.1 As part of the scheme manager's commitment to improve engagement with employers, a number of tailored training programmes have been arranged in March 2019 following feedback from employers. This training will cover a number of strategic topics, such as the legal responsibilities of employers and the consequences of non-compliance (referred to in the Pensions Administration Strategy) as well as operational topics, such as the process for the production of year end returns in order to produce accurate annual benefits statements on time.
- 4.2 These sessions will be delivered through four sessions split over two days. One session will be held on 25th March with one further date to be confirmed.

## 5.0 Triennial Valuation

- 5.1 Every three years, a formal valuation of the whole Fund is carried out under Regulation 62 (1) of LGPS Regulations 2013 to assess and examine the ongoing financial position of the Fund. Its purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole, with a view to setting employer contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement.
- 5.2 The valuation results are calculated in the following way:
1. LPP on behalf of the scheme manager provide finance and membership data to our actuary, Hymans Robertson who uses it as a basis for the valuation.
  2. This data is combined with a number of economic and demographic assumptions with consideration to the Brent Pension Fund Funding Strategy Statement to create a common employer's contribution rate.

3. This common rate is used as a basis for the individual employer results, with adjustments made to take into account a number of different criteria; including membership profile, past service deficit, current funding position and funding category.
- 5.3 All employers will receive a Rates & Adjustments certificate from the actuary in March 2020 which confirms the minimum employer contributions required for the following three years, commencing from 1 April 2020.
- 5.4 In line with the Regulations, the Fund will also review its Funding Strategy Statement (FSS) as part of the valuation. The FSS sets out the underlying assumptions and principles that are to be adopted when valuing the Fund's liabilities and setting contribution rates.
- 5.5 In preparation for the triennial valuation, the Fund's actuary, Hymans Robertson, will be commencing early modelling on contribution rates. This aims to consider the appropriateness of the current contribution strategy and some other potential strategies.
- 5.6 Different projections of how contributions may increase or decrease over time will be modelled. This modelling will allow the Fund to understand the long term impact on the Fund of different contribution rates and allows employers more time to reflect any changes in contribution rates into their budgets.
- 5.7 At this stage, analysis will be performed on the whole Fund rather than for each individual employer. It is considered that will be the most effective approach because the Council, along with the academy schools who all have contributions set in line with the Council, have the majority of the liability within the Fund. The results of this exercise will be reported to the next Pension Board meeting.
- 5.8 At present it is expected that work on the valuation will commence from July 2019, following the completion of the data cleanse project by LPP. The results are expected around the final quarter of 2019, following which a programme of employer liaison will commence, including a formal consultation on the draft FSS.

## **6.0 Annual Benefit Statements**

- 6.1 It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year.
- 6.1 In relation to active members, the scheme manager has historically had a number of issues with regards to the production of ABS. These issues have included missing data on year-end returns, queries from year-end returns not being resolved on time and not being notified of starters and leavers.
- 6.2 The scheme manager has set a deadline of 30 April 2019 for year-end returns to be submitted to LPP to ensure there is sufficient time to resolve any queries and ensure production of ABS in the required timeframe. As mentioned in section four, a dedicated training session has been arranged to support employers through this

process. In addition, the scheme manager and LPP will be closely monitoring this project as part of its monthly performance meetings.

- 6.3 Looking forward, one of the benefits of transitioning to LPP is that an online portal will be made available for all employers whereby data will be submitted on a monthly basis rather than an annual basis via year end returns. It is expected that this will have a positive impact on not only the production of ABS but also raise the quality of data more generally by allowing easier detection of incorrect or missing data. This is anticipated to go live from 1 April 2019.

## **7.0 Audit follow-up**

- 7.1 As previously reported to the Pension Board, an internal audit of the pensions administration service was carried out in 2017. The audit identified a number of serious issues including:

- Whether incorrect final salary information was being used by Capita;
- Concerns around changes to standing data;
- Exceptions noted in EOY report;
- Contract management.

- 7.2 A follow up audit was carried out in late 2018, which concluded that all of the recommendations were successfully implemented and that the service is no longer a cause for concern. The scheme manager is pleased with the outcome of this follow up audit and that the issues previously raised have been addressed and measures put in place to ensure they do not re-occur.

## **8.0 The Pensions Regulator**

- 8.1 The Pensions Regulator wrote to the scheme manager in August 2018, informing them that they will be conducting in depth engagement to discuss governance and administration of the scheme.
- 8.2 TPR are focusing on Local Government Pension Schemes because their recent public service governance and administration survey found that some of the improvements the schemes had been making have stalled and they would like to explore this further.
- 8.3 The aim of these meetings is to get a wider understanding of the scheme in more depth and ask a range of questions in relation to the scheme's wider governance and administration. The aim is not to seek out breaches of the law, however if they become aware of areas of concern they will investigate further to consider whether regulatory action is appropriate.
- 8.4 At the date of despatch of this report, five meetings have held and a wrap up meeting is planned to be held at the end of March 2019. Detailed feedback on various topics has been received from four of these meetings and as a result the scheme manager has agreed to a number of actions with regards to improving the governance of the scheme. Some of these actions include:



- Preparing and implementing a policy on reviewing member data;
- Preparing and implementing an improved Members Communication Strategy, which will be published online by the end of March 2019 and is intended to replace the existing Communications Strategy in the Pension Fund Annual Report;
- Implementing a log to record day-do-day decisions which are taken between Pension Board Meetings;
- An updated training plan for the Pensions Board;
- An improved website with better access to information and clearer links including IDRPs guidance now being available.

## **9.0 Financial Implications**

9.1 There are no direct financial implications from this report.

## **10.0 Legal Implications**

10.1 Not applicable.

## **11.0 Equality Implications**

11.1 Not applicable.

## **12.0 Consultation with Ward Members and Stakeholders**

12.1 Not applicable.


## **13.0 Human Resources**

13.1 Not applicable.

### **Report sign off:**

**Conrad Hall**  
Chief Finance Officer

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 <b>Brent</b>	<b>Pension Board</b> 13 March 2019
	<b>Report from the Chief Finance Officer</b>
<b>Pensions Administration Performance Report</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	0
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 This report updates the Pension Board on performance of the pensions administration contract with LPP.

## 2.0 Recommendation(s)

- 2.1 The board is recommended to note the report.

## 3.0 Detail

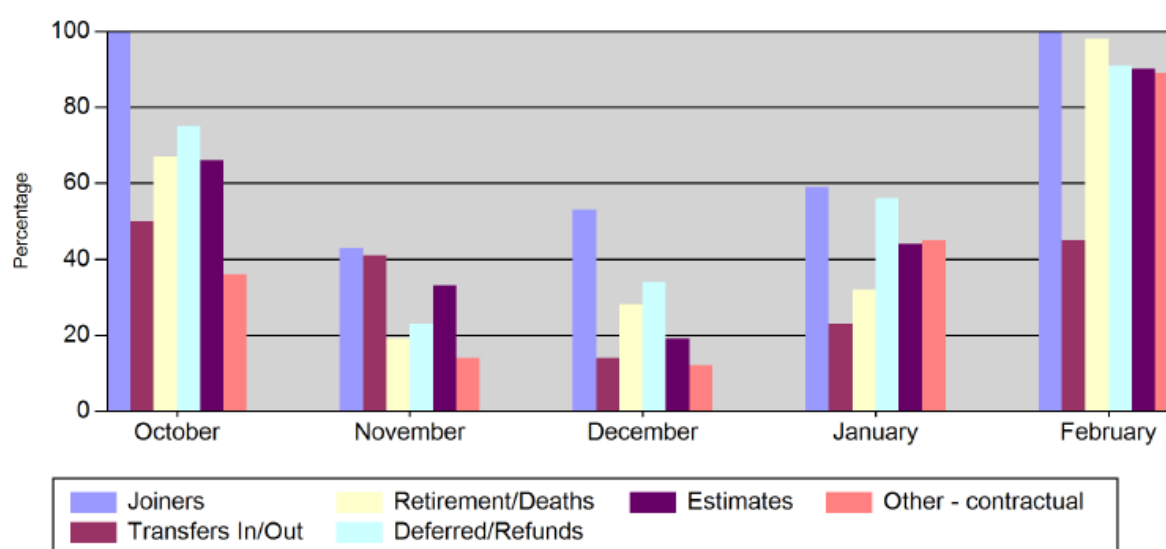
- 3.1 The administration of the Brent Pension scheme was transferred to LPP on 1 October 2018. This report reviews the performance of the LPP contract during February 2019.
- 3.2 The Pensions administration team are holding monthly meetings to monitor the performance of the contract looking at both the individual month and trends across months.
- 3.3 As of 28 February 2019 the Brent Pension Fund had 6,647 active members, 6,912 pensioners (including dependants), and 8,140 deferred pensioners.

- 3.4 Table 1 shows contract statistics for cases processed grouped by category. This includes cases bought forward, received, completed, completed on time and carried forward. Chart 1 below show progress by month since the contract commenced in October 2018.

Table 1:

Description	B/fwd	Rec'd	Complete	On Time	% OT	C/fwd	Average Completed Time	Average Elapsed Time
Joiners	65	62	54	54	100.00	73	0	13
Transfers In/Out	449	40	71	32	45.07	418	4	61
Retirement/Deaths	886	116	106	104	98.11	894	1	29
Deferred/Refunds	592	25	35	32	91.43	582	1	39
Estimates	88	40	44	40	90.91	84	0	6
Other - contractual	490	372	454	407	89.65	406	0	13
Total	2570	655	764	669	87.57	2457		

Chart 1:



- 3.5 Whilst the cases % completed on time significantly improved in February across all categories, the number of cases carried forward is disappointing. It is important to note that LPP inherited a large backlog of cases from the previous administration provider and the number of carried forward cases is 113 lower than the previous month.
- 3.6 Table 2 provides detail on the number of cases that have been completed early. Overall 47% of the 669 cases completed on time were completed early.

Description	1 Day Early	2 Days Early	3 Days Early	4+ Days Early
Joiners	9	4	3	6
Transfers In/Out	4	4	0	4
Retirement/Deaths	18	3	4	12
Deferred/Refunds	5	0	1	6
Estimates	6	4	0	3
Other - contractual	95	120	1	3
	137	135	9	34

- 3.7 As at the beginning of February 2019, there was 1 complaint and 1 IDR case outstanding. In February 2019 none of these cases were resolved and a further 6 cases were received. Of these 6 cases, 4 cases were complaints and 2 were IDR cases. 1 new case received was resolved. Brent and LPP are taking action to ensure that these cases are resolved swiftly however the complex nature of some cases means that this is not always possible.

#### 4.0 Financial Implications

- 4.1 There are no direct financial implications from this report.

#### 5.0 Legal Implications

- 5.1 Not applicable.

#### 6.0 Equality Implications

- 6.1 Not applicable.

#### 7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.


#### 8.0 Human Resources

- 8.1 Not applicable.

#### **Report sign off:**

**Conrad Hall**  
Chief Finance Officer

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	<b>Pension Board</b> 13 March 2019
	<b>Report from the Chief Finance Officer</b>
<b>Updated Brent Risk Register 2019</b>	

<b>Wards Affected:</b>	N/A
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	2
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 This report presents the updated Risk Register for the Brent Pension Fund Pensions Administration Service.

## 2.0 Recommendation(s)

- 2.1 The board is asked to note the report.

## 3.0 Background

- 3.1 Effective risk management is the foundation of sound corporate governance and for the LGPS the focus should be on all aspects of the scheme's operation, not just investment matters. Having a strategy and register in place is a way for the scheme manager to identify and manage scheme risks and it is considered good practice to have a strategy and register in place alongside established reporting mechanisms.
- 3.2 Using guidance from The Pensions Regulator and CIPFA, together with Brent's internal risk management resources, a process was undertaken in 2018 to produce a risk management strategy that was unique to Brent's circumstances. This involved a workshop that identified all of the relevant risks, assessed those risks in terms of likelihood, understanding risk management and contingency planning, monitoring risks and documentation in a register.

3.3 It is recognised that risk management works well when the administering authority, the Pensions Board and employers work together. All parties then understand each other's capacity and appetite for risk. Key elements of this strategy were discussed at a recent working party set up with the scheme manager, administrator and select employers for feedback and comment. The Risk Strategy is attached to this report in Appendix 2. Further engagement is planned as part of the employer consultation of the new Pensions Administration Strategy.

3.4 Since the Risk Register was presented to the Pension Board at its last meeting, it has been revised and updated following the move to LPP as the new systems and processes change the risk profile of certain activities. It was agreed in the previous Board meeting that the Risk Register would become a standing agenda item at these meetings, with new risks and any changes to classifications of risks being reported to the board.

3.5 Newly identified risk areas are:

- Loss of Key Staff Members
- Data Breaches
- Cyber Security

The board is asked to notify the scheme manager if it disagrees with these classifications and present any new risks that they would like to be considered.

3.6 The revised Risk Register is attached at Appendix 1 and it is proposed to present any changes or updates to this document to the Pension Board at every meeting.

#### **4.0 Financial Implications**

4.1 There are no specific financial implications associated with noting this report.

#### **5.0 Legal Implications**

5.1 None arising directly from this report

#### **6.0 Equality Implications**

6.1 None arising directly from this report

#### **7.0 Consultation with Ward Members and Stakeholders**

7.1 Not applicable for this report.

#### **8.0 Human Resources/Property Implications (if appropriate)**

8.1 None arising directly from this report

**Report sign off:**

**Conrad Hall, Chief Finance Officer**



1	Risk Area Disaster Recovery	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Review Due	Comment 1
1.1	Operational Disaster Recovery Plans Brent	Loss of or unable to access admin systems for: a) Pensions b) Payroll c) Pensioner payroll	1	10	10	Brent Council Business Continuity Procedures	Brent	Annual	2019	Brent Council disaster recovery plan in place
1.11		Pension Systems I.T.	1	10	10	Database of all: a) Advisors b) Suppliers c) Contracts	Brent	Annual	2019	Held as hard copy by Brent Council's Legal Department
1.2	Operational Disaster Recovery Plans LPP	Loss of or unable to access LPP admin systems for pensions	1	6	6	LPP Shared Service Agreement.	LPP	Annual	2019	From 1 October 2018 LPP disaster recovery plan in place as part of their Shared Service Agreement with Brent Council
1.21		LPP Pensions Admin System (Altair) used by Brent Council Employers, Maintained Schools and Academy's	1	6	6	LPP Shared Service Agreement	LPP	Annual	2019	LPP have a recovery plan in place for their pension admin platform Altair (External provider Aquila/Haywood)
1.3	Risk Area Business Continuity Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
1.31	Business Continuity	LPP Financial Standing	1	10	10	LPP Service Contract	Brent	Annual	2019	Brent Council unaware of any financial problems for the LPP
2	Risk Area Risk Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
2.1	Risk Planning And Monitoring	Not monitoring: a) Risk and the risk plan b) And amending it as required c) Or adding new areas of risk as they appear  Will lead to the risk plan being: a) Inaccurate b) Known risks not being accounted for c) No plans to address these risks	1	10	10	Risk Plan	Brent	Annual	2019	The Risk Register is monitoring and reviewed by the Scheme Manager and the Pensions Board.  Areas of risk are when required: a) Updated b) Amended c) New risks added if identified
3	Risk Area Data Security	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
3.1		External attack, loss of data, locked out of data, poor internal procedures can lead to an increased risk of attack from: a) outside b) or internal fraud	2	10	20	Brent Council Data Security Procedures	Brent	Annual	2019	Procedures on data security in place, systems kept up to date with latest security updates
3.12		Not backing up data regular using secure backup systems	2	10	20	Data Back Up Procedures.	Brent	Annual	2019	Data is backed up on an incremental basis daily and fully backed up weekly, data kept in secure sites.
3.12	Data Security	a) Clean desk policies not being adhered to: b) Cabinets left open or not locked c) Documents left out overnight d) Documents left on colleagues desk when they are away e) Computer not locked when operator leaves their desk	2	5	5	Brent Council Data Security Procedures	Brent	Annual	2019	Possibility of: a) Sensitive data being seen by unauthorised persons b) Data theft c) GDPR breached e) Brent Councils reputation put at risk
3.14		Taking laptops away from desk that are not password protected with encryption, using them on public transport  Not storing laptops in secure location when not in use	1	5	5	Brent Council Data Security Procedures	Brent	Annual	2019	This can lead to: a) Large losses of sensitive data b) Unauthorised people seeing sensitive data while on public transport c) Breach of GDPR d) Breach of Councils policies and dismissal from service
3.2	General Data Protection Regulations	New General Data Protection Regulations (GDPR) came into effect 25 May 2018, failure to comply with GDPR will lead to: a) Complaints b) Data breaches c) Possible fines d) Loss of reputation	1	10	10	Brent GDPR Policies	Brent	Annual	2019	Brent has GDPR policies in place and publishes GDPR privacy notices: a) Online b) Yammer c) In news letters d) In communications to its members, employers, academy's, maintained schools
3.21		Sending sensitive data by email ensuring it will be sent to the right recipient and encrypted, or using a secure transmission system	2	8	16	Brent GDPR Policies	Brent	Annual	2019	Sensitive data being sent to an unauthorised person or business leading to breach of GDPR
3.3	Cyber Security	Unauthorised cyber access or attacks could be serious for a scheme and its members, and could in the end result in identity theft, loss of data or even loss of financial assets	2	10	20	Brent Council Cyber Security Policy 2019-20	Brent	Annual	2020	Both Brent and LPP have significant cyber security policies and procedures in place to prevent and deter cyberattacks
4	Risk Area Pension Administration	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
4.1	(Backlog) LPP Pension Administration Post Capita Handover November 2018	Backlog of work from Capita: a) Delay in administrative processing because of incomplete scheme data b) Increased administration costs c) Members benefits being delayed d) Increase in complaints e) Places an unwarranted and costly drain on Brent resources	5	10	50	LPP Shared Service Agreement	Brent	Monthly	Monthly	Backlogs of work from Capita must be cleared as soon as possible, extra resource outside of BAU to be provided by the LPP  Plan in place to treat the backlog inherited from Capita is being done as a separate project so resources not take away from BAU administration
4.2	(Scheme Data) Scheme Data Provided to LPP by Capita for: Maintained Schools Academy's Employers	Missing common and Scheme Specific data not provided by employers, maintained schools and academy's leads to delay in progressing administration for members	5	10	50	LPP Data Check November 2018	Brent	Annual	2019	LPP run a test of the data sent by Capita October 2018 Common Data 98% improved from 2017 Scheme Specific data 93% same as 2017
4.3	Record Keeping Planning	Not updating the record keeping plan to take into account changes of circumstances thorough the year could lead to a failure to take corrective action leading to a drop in the quality of scheme data or delays in processing member benefits	5	10	50	RKP 2018	Brent	Monthly	Monthly	Brent record keeping plan to be created December 2019 to deal with poor common data and scheme Specific data being below requirements as highlighted the LPP November 2018 data check
4.4	(Employer Data) Maintained Schools Academy's Employers Supplied Data to Capita	Failure by Maintained Schools, Academy's, Employers to provide data accurately and on time to the LPP results in poor scheme data held by the LPP	5	10	50	PAS 2018	Brent	Annual	2019	Employers to export data monthly to LPP system highlighting data problems by import validation, also reporting from the admin systems of missing files leads to early indication of employers having data problems  Training to be provided to employers by the LPP on using the systems and what LPP requires from employers  Revised PAS sets out what employer need to be doing

4.5	Loss of Key Staff Members	Specialist nature of the work means there are relatively few staff members with knowledge of the Local Authority Pensions Regulations and Pensions Administration requirements. Significant knowledge gap left if specialist staff leave, likely to cause short-term disruption.	4	8	32	Training Plan	Brent	Annual	2020	Key Officers to ensure processes are documented and knowledge is being passed on to other members of the team, to ensure limited disruption in the event of an unexpected absence or leaving the position.  Training events delivered by external parties are available and staff are encouraged to attend  External Support is available to mitigate this risk, both from external advisors and LPP who manage the fund's administration
5	<b>Risk Area Plan Events</b>	<b>Risk Outline</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Score</b>	<b>Control</b>	<b>Owner</b>	<b>Test</b>	<b>Next Review</b>	<b>Comment</b>
5.1	Pension Plan Events Planning	Plan events such as: a) Annual benefits statements b) Year end reporting to the TPR c) Accounting d) Pension increases e) Plan valuations f) All require planning in advance to ensure completion on time	4	10	40	Plan Calendar	Brent	Annual	2019	Plan Calendar to identify events: a) What work is required b) What recourses will be used c) Completion and sign off
5.12		Pension projects such: a) GMP reconciliation b) Changes in legislation that needs to be actioned c) GMP equalised for men and woman	5	10	50	Plan Calendar	Brent	Annual	2019	To allow longer term planning for items such as: a) GMP reconciliation b) New legislation coming in to effect c) Ensure Plan events are completed on time d) Prepare for GMP equalisation
5.3	Active Benefits Statements 2017/18	Failure to have the necessary correct and accurate data will lead to: a) Statements not being sent b) Possible delay sending statements whilst this data is obtained and systems updated	6	10	60	LLP Shared Service Agreement	Brent	Annual	2019	Data improvement being carried out under RKP 2019
5.31		Annual Benefits Statement dependant on: a) Common Data b) Scheme Specific data c) Data being improved from the RKP 2019 (RKP 2019 to be finalised December 2018)	5	10	50	LLP Shared Service Agreement	Brent	Annual	2019	Improvement to common and Scheme Specific data will be complete by 2019
5.4	Deferred Member Benefit Statements 2017/18	Incorrect Statuses, no address, missing data to calculate leads to: a) Statements not being issued b) statement inaccurate c) Incorrect valuation and liabilities for the Plan.	5	10	50	LLP Shared Service Agreement	Brent	Annual	2019	Member data is being dealt with under the 2018 Record keeping Plan Address updates from common data improvements plan have lead to more annual benefits sent out in 2018
5.5	Year End Return	Failure to complete year end return and submit on time leads to fines	2	10	20	PAS 2018 & Plan Calendar	Brent	Annual	2019	All Plan calendar events to be recorded with plans to ensure they are carried out, better planning for EOY with pro active action to get employers to provide data on time in place, 2019 data from employers moves to monthly electronic submissions which will improve the presence of data considerably
5.51	Admission Agreements	Failure to process an admission agreement within the time frames set on in LGPS regulations can lead to transferring employers pension entitlements being delayed, legal issues stopping the agreement from being implemented and costs incurred that can not be recovered	5	10	50	Internal Controls	Brent	Annual	2019	Process for admission agreements to be strengthened
5.52		Not having procedures and processes to processes and monitor agreements are on track and any reason for delayed identified and acted on could lead to delays in implementation of the agreement	5	10	50	Internal Controls	Brent	Annual	2019	Monitoring for admission agreement to be improved
5.53		Oversight of the legal team and ensuring that they are processing the legal agreements in the time set out in the procedures and requirements of admission agreements is a major factor on processing an admission agreement on time	5	10	50	Internal Controls	Brent	Annual	2019	Overseeing of the legal team on admission agreement by the Scheme Manager to ensure no delays and prompt processing of agreement becomes a priority
5.54		Failure to keep to rules and regulation on admission agreement will require this failure to be reported to the TPR	5	10	50	Internal Controls	Brent	Annual	2019	Breeches log to bring attention of failing and lessons learned in processing admission agreements
6	<b>Risk Area Auto Enrolment</b>	<b>Risk Outline</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Score</b>	<b>Control</b>	<b>Owner</b>	<b>Test</b>	<b>Next Review</b>	<b>Comment</b>
6.1	Auto Enrolment	Failure to process auto enrolment on time leads to: a) Member complaints b) Members unable to opt out or in c) Delayed administration d) Possible action by the regulator to improve or be fined	1	40	40	Auto Enrolment Procedures	Brent	2019	2019	Auto enrolment checked monthly for: a) Enrolment b) Opt outs c) Opt Ins d) Auto Enrol Renewal, as part of Brent procedures for pensions and payroll
7	<b>Risk Area Regulatory</b>	<b>Risk &amp; Outline</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Score</b>	<b>Control</b>	<b>Owner</b>	<b>Test</b>	<b>Next Review</b>	<b>Comment</b>
7.1	Anti Fraud Initiatives Mortality Existence	Benefits paid to people not entitled to benefits from the LGPS	2	5	10	2019 Anti Fraud Plan	Brent	Annual	2019	Administration processes check for fraud
7.2	Pension Board Training	Pension Board members not having the appropriate degree of knowledge and understanding to perform their duties.  Pension Board member not having the right knowledge to make informed decisions and challenge Officers of the Council	1	5	5	Pension Board Training Plan	Brent	Annual	2019	Regular training is provided via a training programme for Pension Board members All Pensions Board members to complete and pass the TPR public pensions course online
7.3	Pension Board Conflict Of Interest	Conflicts of interest must be declared in the Register of Interests  Failure to declare an interest can lead to serious consequences and pose a risk to the Plan and possibly member	1	5	5	Conflict of Interest Register	Brent	Annual	2019	The register of interests and other relevant documents are circulated to the Pension Board for ongoing review and are published on the Brent Council's website
7.4	Governance	Failure to have good governance plans in place which are reviewed and monitored can lead to: a) Poor administration b) Increased administration costs c) Poor investment outcomes d) Increased levels of risk e) Not understanding what the risks are and having plans to manage the risk f) Statutory requirements not being met such as: g) Annual benefits statements not being produce and sent out h) Pension saving statements not being produce and sent out i) Year end returns late	1	3	3	Multi areas cover governance: a) Plan Rules b) Business Plan c) PAS 2018 d) Scheme Manager e) Pensions Board f) Pensions Sub Committee.	Brent	Annual	2019	Governance is monitored by: a) Scheme Manager b) Pensions Board c) Pensions Sub Committee d) Internal and External Controls

7.5	Failure to make provision for oversight of the administration of the Plan	Failure to ensure that overall oversight is in place and carried out can lead to: a) Breaches of the law b) Poor administration and record keeping c) Unauthorised payments d) Poor administration being allowed to continue e) Failure to meet deadline on time f) Possible fines g) Fraud to occur h) Loss of confidence and reputation for the Council	1	2	2	The Pension Board assists the Scheme Manager in the provision of oversight of how the Plan is administered	Brent	Ongoing	2019	The oversight of the plan is carried out by the Scheme manger with assistance from the Pension Board
7.6	Discretions	A decision to add pension or disregard a reduction on pension for early payment leads to increased costs to the employer	1	5	5	Chief Financial Officer	Brent	Annual	2019	Discretions under review on early retirement with actuarial reduction, Discretions are covered under LGPS Rule 30 (2&5)  In preparing such a statement the Council must have regard to the extent to which the discretions are exercised to avoid a loss of confidence in the service provided
7.7	Data Protection Breaches	Breaches not recorded and failure to report a breach to the regulator can lead to fines and loss of reputation	3	6	18	Breaches Log	Brent	Monthly	Monthly	Breaches log to monitor all breaches and report of breached to the regulator  Pension Board reviews the breaches log at every meeting
8	<b>Risk Plan Funding &amp; Accounting</b>	<b>Risk &amp; Outline</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Score</b>	<b>Control</b>	<b>Owner</b>	<b>Test</b>	<b>Next Review</b>	<b>Comment</b>
8.1	The Fund's Assets Insufficient To Meet Long Term Liabilities	Pension Fund Assets not sufficient to pay: a) Pension benefits b) Transfers c) Death benefits d) Could lead to raising of pensions contributions e) Plan has to reduce benefits f) Reassessment of the funding strategy	2	10	20	Public Sector Payroll Controls	Brent	2018	2019	Contributions are checked on a monthly basis Overdue Contributions: Employers Academy's Maintained Schools Are actively chased
8.11			1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2019	The next Triennial Review is 2019 and will be reported to the Pension Board and is reviewed to ensure asset allocation is appropriate
8.12			1	10	10	Fund's Funding Level Assessment	Brent	Quarterly	2019	The actuary Hymans Robertson provides regular reports on funding levels
8.2	Pension Contributions not Paid by:	Effects the Plans abilities to: a) Pay out benefits b) Braking the law on pension contribution collections. c) Unnecessary costs for chasing for contributions. d) Continuing non payment for pension contributions will lead to: e) Breaches for the payment of pension contribution regulations f) Being reported for breaches as required by law g) Delay benefits beginning paid h) Can lead to delays in accounting for pension contributions	2	10	20	PAS	Brent	2018	2019	Procedures in place to deal with pension contributions not being made or late
8.21	Maintained Schools Academy's Employers	a) On time b) Or not at all c) Refusal to pay	2	10	20	PAS	Brent	Annual	2019	Engaging with: a) Employers b) Academy's c) Maintained Schools d) With working parties and employer forums e) LPP to provide more support in this area
8.23			2	10	20	PAS	Brent	2019	2019	Contributions are monitored on a monthly basis and late or non payers reported. 2019 Revised PAS to include fines for non compliers
8.3			2	10	20	Annual audit	Brent	2019	2019	Accounts for the year to 31 March 2017 signed off by auditors KPMG LPP
8.31		Failure to comply with accounting regulations will lead to serious consequences: a) Possible fines b) Loss of reputation	1	10	10	Triennial valuations	Brent	Tri Annual	2019	Last triannual was 2016, next triannual valuation 2019
8.32	Pension Plan Accounting		1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2019	The next triennial review is 2019 and will be reported to the Pensions Committee  This is reviewed in line with the triennial valuation to ensure asset allocation is appropriate.
8.33			1	10	10	Fund's Funding Level Assessment	Brent	Quarterly	2019	The actuary Hymans Robertson provides regular reports on funding levels
8.34			1	10	10	Annual Audit	Brent	Annual	2019	Accounts for the year to 31 March 2017 signed off by auditors KPMG LPP

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# Brent

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## **London Borough of Brent Risk Strategy**

# Brent Risk Strategy July 2018

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## 1. Introduction

1.1 This is the Risk Strategy for the London Borough of Brent Fund ("the Fund"), which is part of the Local Government Pension Scheme ("LGPS") managed and administered by the London Borough of Brent ("the Administering Authority").

The Risk Strategy details the Fund's approach to managing risk including:

- the risk approach adopted for the management of the Fund, attitudes to risk, how risk is managed and implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

## 2. Strategy objectives

2.1 In relation to understanding and monitoring risks, the Administering Authority aims to:

- integrate risk management into the procedures, internal controls, and the day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund including, the Pensions Board, maintained schools, academy's, employers and other partners
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice and TPR guidance of risk
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

2.2 To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication
- the Pensions Act 2004
- the Pensions Regulator code of practise 14 as related to risk
- the pensions Regulator Essential guide to the public service code as related to risk

## 3. Purpose of the strategy

3.1 The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities for improvement and a reduction in risk along with better outcomes for members
- minimise threats

3.2 The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

## 4. Effective date

4.1 This policy is to go before the Pension Board on 24 July 2018 for approval and will be in effect from that date.

## 5. Review

5.1 To be viewed quarterly by the Scheme Manager and the Pensions Board and updated as required, or if the risk management arrangements, or other matters included within it, merit reconsideration.

## 6. Scope

6.1 This Risk Strategy applies to all members of the Pension Board and the Pensions Fund SubCommittee, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund including the Chief Finance Officer (Section 151 Officer), Head of Finance and the Head of Pensions.

6.2 Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee and Sub-Committee members and Board members as required in meeting the objectives of this Policy.

## 7. Risk Management Philosophy

7.1 The Administering Authority recognises that it is not possible to eliminate all risks. Accepting and actively managing risks is therefore a key part of the risk management strategy for the Fund.

7.2 In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, further joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

7.3 The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

## 8. CIPFA and the Pensions Regulator's Requirements

### 8.1 CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.



## 8.2 The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

### ***249B Requirement for internal controls: public service pension schemes***

1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed: (a) in accordance with the scheme rules, and  
(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, “enactment” and “internal controls” have the same meanings as in section 249A.” Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly.

The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the experience of the person(s) performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

8.3 The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Strategy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

## 9. Responsibility

9.1 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the officers are responsible for ensuring the process outlined below is carried out, subject to the oversight of the Pension Board.

However, it is the responsibility of each individual covered by this Strategy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

## 10. The London Borough of Brent Pension Fund Risk Management Process

10.1 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.

(1)	Risk Identification
(2)	Risk Analysis
(3)	Risk Control
(4)	Risk monitoring

### 10.2 Risk identification (1)

The risk identification process is both a proactive and reactive one. Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises overseen by the Scheme Manager, Pension Board, and Pension Sub Committee
- performance measurement against agreed objectives
- monitoring against the Fund's business plan to be available Q4 2018
- findings of internal and external audit and other adviser reports
- feedback from the Pension Board, maintained schools, academy's, employers and other stakeholders
- liaison with other organisations, regional, national associations, and professional groups

Once identified, risks will be documented in the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

### 10.3 Risk analysis (2)

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

Risk level Reasoning		Likelihood	Impact	Score	Risk Types	Risk Planning	Expected Outcomes
Risk Level	%	1 Least Likely 10 Most Likely	1 Least Likely 10 Most Likely	Likelihood Times Impact			
Low	1 to 20	1	10	10	Risk known	Planned for in advance	Countered by plans and procedures in place if needed
Green Low							
Low to Medium	20 to 50	2	10	20	Risk possible concerns	Monitored	Monitored and plans in action or more actions will be put in place if required
Yellow Low to Medium							
Medium to High	50 to 75	5	10	50	Risk manageable	Managed	Active and pro active longer term plans in place,
Orange Midium to High							
							subject to close monitoring and rapid action if required
High					Risk having a major impact	Planned actions in place	Action plans in place, monitored weekly, longer term before risk will reduce
	75 to 100	8	10	80			
		Red High					

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

#### 10.4 Risk control (3)

The Head of Finance (Pensions) will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur.

Before any such action can be taken, Pension Board and Pension Sub Committee approval may be required where appropriate officer delegations are not in place.

The result of any change to the internal controls could result in any of the following:

- Risk elimination, for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction, for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer, for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's business plan (Due Q4 2018) in relation to any agreed action as a result of an identified risk.

## 10.5 Risk monitoring (4)

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pensions Board. In monitoring risk management activity, the Pension Board will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- are there any lessons to be learned for the future assessment and management of risks.

## 11. Reporting and monitoring

11.1 Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on a quarterly basis to the Pension Board.

The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 10 or more) or new major risks (for example, scored 25 or more).

As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Pension Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Strategy on a quarterly basis taking into consideration any feedback from the Pensions Board and Pensions Sub Committee.

## 12. Key risks to the effective delivery

12.1 The key risks to the delivery of this Strategy are outlined below. The Pension Board will monitor these and other key risks and consider how to respond to them following updates and recommendations from officers:

- Risk management is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately
- Risk plan is not monitored to ensure actions to reduce risk have been taken and new risks that

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have been identified are not recorded, monitored and carried out, will lead to risk not being managed in line with Risk Policy


### 13. Risk Register Appendix A

The Risk Register Appendix A :

- 1 Risk Area Disaster Recovery
- 2 Risk Area Business Continuity Planning
- 3 Risk Area Risk Planning
- 4 Risk Area Data Security
- 5 Risk Area Pension Administration
- 6 Risk Area Plan Events
- 7 Risk Area ns
- 8 Risk Area TPA Transition
- 9 Risk Area Regulatory
- 10 Risk Plan Funding & Accounting

End

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	<b>Pension Board</b> 13 March 2019
	<b>Report from the Chief Finance Officer</b>
<b>Update on the Record Keeping Plan 2019</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	2
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 This report sets out the London Borough of Brent Pension Fund Record Keeping Plan (as amended in February 2019). The plan primarily relates to various activities and objectives that cover the period January 2019 to December 2019 and beyond.

## 2.0 Recommendation(s)

- 1.2 It is recommended the Board notes the report.

## 3.0 Background

- 1.3 The primary purpose of the Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore imperative that the Fund achieves and maintains the highest possible data quality standards, to comply with its core functions and to ensure the cost effective use of resources. The Fund collects and holds large amounts of data on which it is heavily reliant in order to effectively administer the Local Government Pension Scheme (LGPS).
- 1.4 The LGPS continues to face ongoing legislative change with oversight of administration and governance now falling under the remit of The Pensions

Regulator, with a heightened responsibility on scheme managers and local pension boards to ensure data is readily available and fit for purpose at all times. Given the financial constraints faced by the local government sector and the budgetary implications of delivering local fund valuations, it is critical that member data be sufficiently robust to inform the valuation exercise and withstand scrutiny from both internal and external audit.

- 1.5 The 2018 Record Keeping Plan was presented to the Board at previous meetings. Updates in 2019 are focused around ensuring the completeness and robustness of scheme data following the transition from Capital to LPP in October 2018. Updates also reflect recommendations made by The Pensions Regulator following a number of meetings in 2018 and early 2019.
- 1.6 Where the Fund identifies poor quality or missing data, it will put in place a data improvement plan to address these issues. The plan will have specific data improvement measures that can be monitored with a defined end date within a reasonable timeframe. Progress of data improvement plans will be monitored by officers and presented to the Pension Board quarterly, and will detail any enactment of the escalation policy in regard unsatisfactory performance by employers, along with any required Fund procedural changes to enhance service delivery or support to employers.
- 1.7 The actions and measures described above form a key part the revised Pensions Administration Strategy. This is discussed further in the Pensions Administration update report also on this agenda.

#### **4.0 Overall Objectives for the Plan**

- 1.8 The following general objectives have been defined for the Fund in 2019:
  - Improve scheme data to meet the legal requirements for common data, conditional data, and employer data;
  - Update missing or incomplete scheme data wherever it is held within a reasonable time frame, to ensure that benefit statements not issued can be sent out as soon as possible;
  - Working together with the scheme's new Pensions Administrators, LPP, in ensuring the completeness and accuracy of both common and conditional data;
  - To have complete and accurate data ready by June 2019 for the 2019 triennial valuation;
  - To clear the backlog of missing addresses for deferred members;
  - To issue complete and accurate Annual Benefit Statements to all eligible members of the scheme by the statutory deadline of 31 August.



## **5.0 LPP Data Cleanse Project**

- 5.1 One of the most significant updates to the plan is the inclusion of the data cleanse project currently being undertaken by LPP.
- 5.2 In October 2018, the LBB pension administration service transferred from Capita Employee Benefits to the LPP. The data received was of a low standard and it was agreed as part of the implementation project that LPP would carry out a review of the data post go live and put in place a remedial plan to address and fix the identified errors.
- 5.3 The project comprises of three phases to be completed. **Phase 1** will address critical issues with common and scheme specific data, focusing on ensuring scheme data is accurate in time for the triennial valuation.
- 5.4 **Phase 2** will address the additional errors that LPP have identified as requiring attention.
- 5.5 **Phase 3** will seek to provide an update on the state of data following the completion of phase 1 and phase 2 work. This phase will also seek to carry out a reconciliation of data between Brent payroll and the Altair pension details.
- 5.6 This project is regarded as being an extra item to the SLA signed with LPP, being costed separately from the annual contract charges. A bespoke team has been allocated for this project in order to meet the agreed deadline - before the triennial valuation is due in June 2019. Monthly updates are provided by LPP to Brent officers and the project is currently progressing within the agreed timescales.

## **6.0 Financial Implications**

- 6.1 The total cost of the LPP Data Cleanse project is £105,337, with the first tranche of £57,936 incurred in 2018/19 and the remainder £47,401 in 2019/20.

## **7.0 Legal Implications**

- 7.1 This Fund and its Employers have a legal obligation and statutory duty to comply with a number of regulations, standards and formal guidance; these include, but are not limited to:
- LGPS Regulations 2013, as amended;
  - Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014;
  - The Pensions Act 1995, 2004 and 2008;
  - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013;
  - Data Protection Act 1998, and replacement legislation in May 2018;
  - Freedom of Information Act 2000;
  - Pension Regulator's Code of Practice No.1.

## **8.0 Equality Implications**

9.1 Not applicable.

## **10.0 Consultation with Ward Members and Stakeholders**

10.1 Not applicable.

## **11.0 Human Resources**

11.1 Not applicable.

**Report sign off:**

**Conrad Hall**  
Chief Finance Officer

		Update FEB 2019										
		Record Keeping Plan RKP2019										
Index	Priority											
		Description	Responsible	Objectives For Record keeping Plan	Data Scope of the Member Categories To Be Included for Objectives	Data Scope Types Of Data	Expected Outcomes	Dependencies	Resources and Governance	Timeframe	January 2019 UPDATE	
Page 37	1.1	1	Pension Scheme Data Overall Objective for 2019	Scheme Manager supported by: The Pensions Board Chief Finance Officer Head of Finance Pension Manager Brent Pensions Team	Overall objectives for 2019 are:  Improve scheme data to meet the legal requirements for common data, conditional data, and employer data.  Update missing or incomplete scheme data wherever it is held within a reasonable time frame, to ensure that benefit statements not issued can be sent out as soon as possible  To work together with the scheme's new Pensions Administrators, LPP, in ensuring the completeness and accuracy of both Common and Conditional Data.  To have complete and accurate data ready by March 2019 for the Triennial valuation coming up in March 2019  To clear the backlog of missing addresses for deferred members.  To issues Annual Benefit Statements to all eligible members of the scheme	As at 01/12/2018  Active Members (6860)  Deferred Members (8196)  Pensioners Dependants Frozen Refunds Total of the above (7565)	Common data  Conditional Data  Participating Employer (14)  Brent Maintained Schools (56)  Academies (23)  Participating Employer refers to these three groups as appropriate:  Participating Employers Maintained Schools Academies	Scheme data will be improved to meet the standards as set out in The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, and comply with the TPR guidance on record keeping for public sector schemes.  Improvements in conditional and common data will be monitored by the Record Keeping Plan 2019.  Going forward this will lead to: Less time taken to complete tasks such as annual benefits statements, existence exercises Scheme member communications being issued on time, annual benefits statement, pension statements Reducing time taken to complete events that require scheme data, year ends, financial reporting Assist with clearing any backlogs due to missing or incomplete scheme data Improving data scores to meet legal requirements Provide a higher standard of service to scheme members, quicker responses, reduced complaints Ensure any communications from the scheme reach as many scheme members as possible Ensure a smooth transition collaboration with the new scheme administrator LLP <del>Getting scheme announcements to as many members as</del>	LPP completing the data cleanse project on time.  Brent Pensions team accurately recording starters and leavers.  Accurate and timely data being provided by employers.  Missing addresses for deferred members being identified and updated on the LPP system.	Brent Pensions Team  Brent Finance Team  Employers, academy's, maintained schools working with Brent to improve data  TPR public sector guidance  LPP resources (including dedicated teams for special projects)  External Partners (Target)	All Year	LPP Data cleansing Plan on track to be delivered in line with agreed timeframes See 1.4 below  Annual Benefit Statements for 2018:  Not all ABS were issued to deferred members where there was a missing address. A company has been commissioned to locate these members and it is planned to commence this work once LPP's data cleanse project has completed so that any further missing addresses can be added to the list. Not all ABS were issued to active members where data was incomplete or missing. LPP are working with employers to obtain missing data and issue a manual statement to these members. Progress is being monitored as part of monthly contract monitoring.
	1.2	2	Pension Scheme Data Participating Employers Objective	Scheme Manager supported by: The Pensions Board Chief Finance Officer Head of Finance Pension Manager Brent Pensions Team	Scheme Data Objectives for 2019 are to improve scheme data by:  Data from participating employers to be complete and accurate  Third party administrators LPP to be able to send out annual benefit statements on time and without issues.  LPP to complete data cleanse project by June 2019 and ensure the data stored is accurate, complete and reliable	Active Members	Employee data held by participating employers	Improving communications, engaging, informing, and training our employers will play a major part in improving data accuracy and the delivery of that data within the specified time frames  Improving communications and accurate data allows administration process to be done quicker with less delays, disclosure regulations met, members retiring on time, death benefits paid out quicker, less complaints, statutory report deadline met, more accurate reporting, more accurate valuations  Employer forum will allow us to understand what it is that leads to employers not providing data on time and for Brent to put in place controls/processes that will help employers with understanding what it is they should be doing, and when, and how to get the help.  More employer engagement will come from our new third party administrators the LPP, as they have resources to provide training and guidance.	An up to date employer contacts List  Availability to scheme employers to attend the scheduled forums and training events  LPP training and Guidance Materials  Progress of 2019 valuation	Brent Pension Team  Brent Finance Team  Employers, academy's, maintained schools actively engaging with London Borough of Brent  LPP resources and training materials	All Year	Workshops have been planned for end of February/early March 2019, ahead of the March Pensions Board Meeting. Training will be delivered by LPP, followed by a presentation from LBB.  Further Employer Forum to be organised ahead of the triennial valuation.  Revised Pensions Administration contract communicated to all employers and to be discussed further in workshops planned in February/March.

1.3	3	Pension Scheme Data from Participating Employers	<p>Scheme Manager supported by:</p> <p>The Pensions Board Chief Finance Officer Head of Finance Pension Manager Brent Pensions Team</p>	<p>Electronic mailshot to inform participating employers of their legal duties in supplying complete and accurate information</p> <p>Revised Pensions Administration Strategy to be communicated via workshops with employers to provide training on understanding of the statutory legal duties, acceptable performance levels and consequences for lack of compliance</p> <p>Monitor that this is being complied with</p> <p>Procedures put in place to monitor the data from participating employers with feedback from third party administrators LPP</p>	Active Members	<p>Data held by participating employers such as:</p> <p>Salary Information Missing Service Contracted Hours Missing Part Time Hours Salary Below Minimum Wage Incomplete CARE Events Missing CARE salary history Up to date addresses not held Missing data as informed by our third party administrators Capita</p>	<p>Awareness from participation employers that they are legally required to send complete and accurate data, also payroll bureaus to be aware of data being submitted on time and accurate</p> <p>With the administration being managed by the LPP, the electronic submission of data will make it easier for employers to export data to the LPP platform, the validation process will throw up errors and they will have to correct the data before reimporting, we can run a report and know exactly who has and hasn't uploaded their data so that engagement/training can begin as set out in the PAS.</p>	<p>LPP Online Platform being available on time</p> <p>Engagement from scheme employers</p>	<p>Brent Pension Team</p> <p>Brent Finance Team</p> <p>Employers, academy's, maintained schools actively engaging with London Borough of Brent</p> <p>LPP resources and training materials</p>	All Year	As 1.2
1.4	1	Data Cleansing Project following move to LPP Phase 1	<p>Scheme Manager supported by:</p> <p>a) The Pensions Board b) Chief Finance Officer c) Head of Finance d) Pension Manager e) Brent Pensions Team f) The LPP (Shared Agreement)</p>	<p>Ensuring Phase 1 is complete in line with agreed deadlines and no later than 30/06/2018.</p> <p>Procedures to be put in place to monitor progress against agreed deadlines</p> <p>Monitoring of progress for each of the 14 work streams</p>	<p>As at 01/12/2018</p> <p>Active Members (6860)</p> <p>Deferred Members (8196)</p> <p>Pensioners Dependants Frozen Refunds Total of the above (7565)</p>	<p>Common and Scheme Specific Data.</p> <p>Specific focus on:</p> <ul style="list-style-type: none"> <li>• Missing Final Salary</li> <li>• Missing or incomplete CARE pots</li> <li>• Missing leavers</li> <li>• Employer code errors</li> <li>• Missing Pensions</li> <li>• Age Discrepancies</li> <li>• Missing Actual Salary</li> <li>• Post Codes</li> <li>• Missing Joiners</li> <li>• Missing PI Dates</li> </ul>	<p>In October 2018 the LBB pension administration service transferred to from Capita Employee Benefits to the LPP. The data received was of a low standard and it was agreed as part of the implementation project that LPP would carry out a review of the data post go live and put in place a remedial plan to address and fix the identified errors.</p> <p>The project comprises of three phases to be undergone consecutively. Phase 1 focuses will address critical issues with common and scheme specific data, focusing on ensuring scheme data is accurate in time for the triannual valuation.</p> <p>Phase 2 will address the additional errors that LPP have identified as requiring attention.</p> <p>Phase 3 will seek to provide an update on the state of data following the completion of phase 1 and phase 2 work. This phase will also seek to carry out a reconciliation of data between Brent payroll and the Altair pension details.</p> <p>The overall goal is for the fund to have confidence that the data held with respect to common and conditional data is accurate and reliable</p>	<p>Timely and accurate data from employers. From April 2019 an online platform will be launched where employers can upload data directly rather than completing cumbersome spreadsheets. This should improve the accuracy and timeliness of data.</p> <p>A robust PAS is in place to deal with non compliant employers. This provides clarity on what scheme employers are required to do, along with penalties for non-compliance</p>	<p>LPP have a dedicated team working on this project</p> <p>Status reports are provided to LBB on a monthly basis and discussed at month contract performance meetings. Updates are reported to the Pension Board on a quarterly basis</p>	January 2019 - June 2019	<p><b>UPDATE FROM LPP ON CURRENT POSITION</b></p> <p>Work Stream 11 - Missing PI dates 27% complete 1,735 records were identified as having a missing PI date. So far, we have rectified 476 records on Altair. We have reviewed a further 435 records but for these members the PI Recalculation function on Altair has not worked correctly. We are making notes of pieces of information that seem to be a common theme for the records that Altair fails to increase properly (for example, the calculation will not run for records with CARE benefits). Once all the records have been reviewed, we will compile the failed records into batches that seem to share a common theme and decide what action should be taken to correct them.</p> <p>Work Stream 2 - Missing Employer Code – 100% complete 68 records were identified as having a missing employer start date on the Basic details screen. These have now all been corrected. Through reviewing these records we suspect that there are 31 records that are potential missing leavers based on the fact that no pension contributions have been posted to the records in the last few years. These 31 records will be picked up with the other Missing Leaver work stream.</p> <p>Work stream 3 - Missing Member Status – 100% complete 85 records were identified as having an impossible sequence of status changes on Altair, such as a change in status after the member was deceased on Altair.</p> <p>Work stream 14 - Multiple NI Numbers – Different Dates of Birth – 100% complete 334 records identified as showing the same NI Number for multiple records but with differing Dates of Birth so the suspicion would be that they could potentially be different individuals with the same NI Number in error. All of these records have been reviewed and amendments have been made to 30 records where we believed that an error had been made</p>

Page 39	1.5	1	Data Cleansing Project following move to LPP Phases 2 and 3	Scheme Manager supported by: a) The Pensions Board b) Chief Finance Officer c) Head of Finance d) Pension Manager e) Brent Pensions Team f) The LPP (Shared Agreement)	Ensuring a plan is put in place to implement Phases 2 and 3 of the Data Cleanse Project described above	As at 01/12/2018  Active Members (6860)  Deferred Members (8196)  Pensioners Dependants Frozen Refunds Total of the above (7565)	Common and Scheme Specific Data.  "Nice to Have" Updates in Phase 2  Non-Critical Data	As above	LBB Data Cleanse Project Phase 1	LPP Dedicated Project Team assigned to project Status reports are provided to LBB on a monthly basis and discussed at month contract performance meetings. Updates are reported to the Pension Board on a quarterly basis	June 2019 - December 2019	No Update as Phase one of the project is outstanding - it is expected to be delivered on time.
	1.6	2	Member Communication Strategy	Scheme Manager supported by: a) The Pensions Board b) Chief Finance Officer c) Head of Finance d) Pension Manager e) Brent Pensions Team f) The LPP (Shared Agreement)	Ensure Member Data is up to date to facilitate communication with members  Establish a schedule for communications sent out and monitor these  Mechanisms put in place to gauge the effectiveness of member communications	As at 01/12/2018  Active Members (6860)  Deferred Members (8196)  Pensioners Dependants Frozen Refunds Total of the above (7565)	Common Data  Scheme Specific Data	As a new Member Communications Strategy is being implemented, it is important to monitor its development and progress early in the process in order to document any issues and agree relevant action points	Brent Pensions and Finance teams availability given year-end deadlines.	Brent Finance Team  Brent Pensions team  The outcome will be presented at the March 2019 Pensions board meeting for approval	March 2019 - December 2019	Planned to be delivered by March 2019 and presented to the Pension Board for approval
	1.7	2	Decision Log	Scheme Manager supported by: a) The Pensions Board b) Chief Finance Officer c) Head of Finance d) Pension Manager e) Brent Pensions Team f) The LPP (Shared Agreement)	Log to record day to day decisions in order to ensure a full audit trail exists	As at 01/12/2018  Active Members (6860)  Deferred Members (8196)  Pensioners Dependants Frozen Refunds Total of the above (7565)	Common Data  Scheme Specific Data	A register of all day-to-day decisions, not covered in the Pension Board Meeting Minutes ensuring a full audit trail	Decisions will be reported to the Pensions Board	Brent Finance Team  Brent Pensions team  The outcome will be presented at the March 2019 Pensions board meeting for approval	February 2019 - December 2019	Implemented, saved on a central location on the LBB shared drive

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## **Record Keeping Plan London Borough of Brent Pension Fund**

### **1.0 Introduction**

- 1.1 This document sets out the London Borough of Brent Pension Fund Record Keeping Plan (as amended in February 2019). The plan primarily relates to various activities and objectives that cover the period January 2019 to December 2019 and beyond.
- 1.2 The Record Keeping Plan has been updated to comply fully with the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, including guidance issued by The Pensions Regulator.

### **2.0 Objectives**

- 2.1 The objective of the plan is to ensure scheme data is accurate, compliant with all the relevant regulations and that robust processes and procedures are in place to ensure that the accuracy of data is maintained.
- 2.2 The plan looks to analyse data categorised in two ways – common data and conditional data. The plan is organised as follows:

### **3.0 Part 1: Overall Record Keeping Plan**

- 3.1 This section is categorised into four main objectives, including priority level and timescales.

#### **3.1.1 Pension Scheme Data Overall Objective**

- Improve scheme data for common data, conditional data and employer data
- Update missing or incomplete scheme data, wherever it is held within a reasonable time frame
- To work together with the scheme's new Pensions Administrators, LPP, in ensuring the completeness and accuracy of both Common and Conditional Data.
- To have complete and accurate data ready for the Triennial valuation.
- To clear the backlog of missing addresses for deferred members.
- To issues Annual Benefit Statements to all eligible members of the scheme

#### **3.1.2 Pension Scheme Data Participating Employers Objective**

- Data from participating employers to be complete and accurate
- Third party administrators LPP to be able to send out accurate annual benefit statements on time.
- LPP to complete data cleanse project by June 2019 and ensure the data stored is accurate, complete and reliable

### **3.1.3 Pension Scheme Data from Participating Employers – Long Term Objective**

- Regularly inform participating employers of their legal duties in supplying complete and accurate information to the scheme manager
- Revised Pensions Administration Strategy (PAS) to be communicated via workshops with employers to provide training on understanding of statutory legal duties, acceptable performance levels and consequences for lack of compliance
- Monitor that the PAS is being complied with
- Procedures put in place to monitor the data from participating employers with feedback from third party administrators LPP

### **3.1.4 Data Cleansing Project following move to LPP**

- Ensuring Phase 1 is complete in line with agreed deadlines and no later than 30 June 2019.
- Procedures to be put in place to monitor progress against agreed deadlines
- Monitoring of progress for each of the 14 work streams
- Ensuring a plan is put in place to implement Phases 2 and 3 of the Data Cleanse Project described above

### **3.1.5 Member Communication Strategy**

- Ensure Member Data is up to date to facilitate communication with members
- Establish a schedule for communications sent out and monitor these
- Mechanisms put in place to gauge the effectiveness of member communications

## **Part 2: Timescales & Objectives**

**3.2.1** This part of the plan lays out the anticipated activities and timescales, including dependencies and resources required.

**3.2.2** The main considerations that have been highlighted are the Data Cleansing Project currently being undertaken by LPP and plans to engage with scheme employers via workshops and an Employer Forums.



**3.2.3** This plan is also used for monitoring and governance purposes by tracking progress and identifying any issues that need to be addressed. Progress is tracked using RAG methodology as follows:


- Green            - Objective on target to be met.
- Amber           - In progress but needs to be closely monitored.
- Red              - Objective not on target and needs urgent attention.

### **Part 3: LPP Data Cleanse Monitoring**

**3.3.1** The LPP Data Cleansing assignment consists of 14 Work streams which are being actioned on by a dedicated team following the move to LPP in October 2018.

**3.3.2** Monthly updates are received from LPP. As at the end of January 2019, three work streams were completed, with the project being in line to be delivered by June 2019, leading the way for Phases 2 and 3 to commence.

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	<b>Pension Board</b> 13 March 2019
	<b>Report from the Chief Finance Officer</b>
<b>Brent Pension Board Terms of Reference review</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	2
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the terms of reference of the Brent Pension Board, taking into account relevant guidance from The Pensions Regulator, advice from the Fund actuary and implementing lessons learned from recent training events. The aim of the revised terms of reference will be to further clarify the roles and responsibilities of the Pension Board to board members, pension fund members, officers and other interested parties.

## 2.0 Recommendation(s)

- 2.1 The board is recommended to note the revised terms of reference.

## 3.0 Background

- 3.1 The current terms of reference for the Brent Pension Board was agreed in July 2015 following the implementation of the Public Service Pensions Act 2013. Since then, the knowledge and experience of the Pension Board has increased significantly, primarily via training events and through matters regularly reported to the board. Also, a number of guidance documents have recently been released to support Pension Boards in their roles and responsibilities. It is therefore an appropriate time to update the terms of reference in order to comply with this new

guidance. It is important to note that the fundamental principles of the current terms of reference will not change (for example membership and quorum) rather the purpose, roles, responsibilities and core functions of the board will be further clarified.

#### **4.0 Detail**

- 4.1 The current terms of reference is attached as Appendix A and the proposed terms of reference is attached as Appendix B.
- 4.2 The terms of office for Pension Board members are referenced in section three of the proposed terms of reference. This states that the term of office for members will run for an initial two year period and be reviewed thereafter. That said, the appointments to the Pension Board are confirmed annually by the General Purposes Committee. Each appointment will be examined in turn.
- 4.3 There are two Brent employer representatives. These members are councillors who are appointed every year by Full Council as part of the Council's Annual Meeting (the last meeting being 14 May 2018) and confirmed at the next available General Purposes Committee (the last meeting being 21 May 2018).
- 4.4 There is another Brent employer representative from another employer in the pension fund. This position was confirmed by the General Purposes Committee on 21 May 2018 for a period of two years.
- 4.5 There are two Brent member representatives. This includes members from the Council's main trade unions, Unison and GMB. These members are appointed by each trade union as part of their own internal decision making and confirmed by the General Purposes Committee (the last meeting being 21 May 2018).
- 4.6 The Brent member representative (Pension Scheme member) was confirmed by the General Purposes Committee on 30 May 2017 for a period of two years. As the term of office ends on 30 May 2019, a recruitment process will be undertaken to fill this position for approval at the General Purposes Committee planned for May 2019.
- 4.7 The Independent Chair of the Board was confirmed by the General Purposes Committee on 10 July 2017 for a period of two years from 1 July 2017. As the term of office ends on 1 July 2019, a recruitment process will be undertaken to fill this position for approval at the General Purposes Committee planned for May 2019.

#### **5.0 Financial Implications**

- 5.1 There are no direct financial implications from this report.

#### **6.0 Legal Implications**

- 6.1 The General Purposes Committee discharged the Council's statutory duty to establish the Pension Board.

- 6.2 The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the Council's constitution, standing orders or scheme of delegation apply to the Board unless expressly included in its terms of reference.
- 6.3 Paragraph 8 of The General Purposes Committee Terms of Reference provides that it can "determine matters referred to it by the Chief Finance Officer or the Pension Fund Sub-Committee concerning the Council's functions under the Local Government Pension Scheme (Para 7).
- 6.4 The constitution enables the General Purposes Committee to confirm appointments to the Pension Board. This report does not seek to change this process, and aims to update the Pension Board on the existing arrangements for appointments and to further clarify the proposed changes to the existing terms of reference of the Pension Board.

## **7.0 Equality Implications**

- 7.1 Not applicable.

## **8.0 Consultation with Ward Members and Stakeholders**

- 8.1 Not applicable.

## **9.0 Human Resources**

- 9.1 Not applicable.

<p><b><u>Report sign off:</u></b></p>
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<p><b>Conrad Hall</b> Chief Finance Officer</p>
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## Pension Board

**Tuesday 7 July 2015 at 5.15 pm**

Board Room 1 - Brent Civic Centre, Engineers Way,  
Wembley HA9 0FJ

### Membership:

Mr David Ewart (Chair)	Independent member
Councillor Choudhary	Employer representative
Councillor Kabir	Employer representative
Bola George	Member representative (Trade Union)
Euton Stewart	Member representative (Trade Union)
Trevor Dawson	Member representative (Pension Scheme member)
Vacancy	Employer representative (other than Council)

**For further information contact:** Peter Goss - Democratic Services Manager  
peter.goss@brent.gov.uk 020 8937 1353

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

**[www.brent.gov.uk/committees](http://www.brent.gov.uk/committees)**

**Prior to consideration of the formal business of the meeting there will be a presentation to members of the board. It is anticipated that the formal business will start at 6:30pm.**

**The press and public are welcome to attend the business part of the meeting**

# Agenda

Introductions.

Item	Page
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<b>1 Appointment of Chair</b>	
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<b>2 Apologies for absence</b>	
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<b>3 Declarations of interests</b>	1 - 6
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Guidance is attached.

Members are invited to declare at this stage of the meeting, any relevant financial or other interest in the items on this agenda.

<b>4 Constitutional matters</b>	7 - 10
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Report attached.

<b>5 Communication of Pension Board business back to employees and scheme members</b>	
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To consider the best means by which information can be communicated.

<b>6 Development of a training strategy</b>	
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To develop and comment upon a training strategy designed to help all the Board members to acquire the knowledge and skills required to ensure their knowledge and understanding needs are met both collectively and individually and the Board meets its statutory requirement to be conversant with LGPS regulations, wider pensions regulation and the requirements of the Pensions Regulator.

Suggested next session: Training in The Pensions Regulator's Code of Practice

<b>7 Work plan 2015/16</b>	
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To consider which of the potential work strands as contained within its terms of Reference the Board wishes to prioritise in order that it can plan accordingly and make best use of limited time, for example –

- Considering the fund's management, administrative and governance processes to ensure compliance with the Regulator's Code of Practice



- Ensuring that the fund's policies setting out how it will exercise its discretions under the LGPS are up to date and compliant (Statement of Investment Principles and the Governance Compliance Statement)
- Any other matters as requested by the administering authority.

## 8 Exclusion of Press and Public

To exclude the press and public from consideration of any confidential or exempt information by reference to the appropriate category of exempt information as specified in the Local Government Act 1972

## 9 Any other urgent business

**Date of the next meeting: Tuesday 2 February 2016**



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.

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## Conflict of Interest Policy – Members of the London Borough of Brent Pension Fund Local Pension Board

### Status of this policy

The Public Service Pensions Act 2013 (the 2013 Act) makes it a legal requirement that members of local pension boards do not have a conflict of interest. The Local Government Pension Scheme Regulations 2013 (the 2013 Regulations) have been amended accordingly. This policy sets out the principles which members of the London Borough of Brent Pension Fund Local Pension Board are expected to follow in order to fulfil their legal obligations under the 2013 Act in identifying, monitoring and managing potential, actual or perceived conflicts of interest.

### Defining Conflicts of Interest

A conflict of interest may arise when a member of a Local Pension Board:

- must fulfil their legal duty to assist the Administering Authority; and
- at the same time has:
  - a separate personal interest (financial or otherwise); or
  - another responsibility in relation to that matter,
- giving rise to a possible conflict with their first responsibility as a Local Pension Board member.

The key issue for a member of the Local Pension Board is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as a member of the Local Pension Board. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a member of the Local Pension Board, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the Board member's first obligation to the Local Pension Board.

### Policy Objectives

1. To ensure that all members of the London Borough of Brent Pension Fund Local Pension Board comply with their statutory requirements under The Public Service Pensions Act 2013 and associated regulations and guidance.
2. Ensure that all Local Pension Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. Remove any perception that the actions of Local Pension Board members are influenced by the presence of a separate responsibility or interest that conflict with their responsibilities as a Board member.
4. Maintain appropriate records of declared conflicts of interest and manage any potential conflicts to ensure they do not become actual or perceived conflicts of interest.
5. Ensure that public confidence in the governance of the London Borough of Brent Pension Fund is maintained.

## Legislative Background

This policy sets out how members of the London Borough of Brent Pension Fund Local Pension Board are expected to manage potential, perceived or actual conflicts of interest arising in relation to their work as a member of that Pension Board.

Regulation 108 of the 2013 Regulations requires that;

*Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest*

Section 5(5) of the 2013 Act defines a conflict of interest as;

*A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).*

The 2013 Regulations allow for elected members to sit on a Local Pension Board. Under the Localism Act of 2011 all elected members will be covered by and subject to their own local authority's code of conduct. Nothing in this policy in any way supersedes or replaces any requirements under an elected member's own authority's code of conduct.

## The Regulator's Code of Practice on Conflicts of Interest

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the Local Government Pension Scheme and therefore by implication includes regulatory oversight of the Local Pension Board's activities. The Pensions Regulator has published guidance in the form of a Code of Practice part of which is designed to assist Scheme Managers to meet their legal duty in ensuring that Local Pension Board members do not have conflicts of interest.

## Perception of Conflicts of Interest

Members of the Local Pension Board should be aware that even if no actual conflict of interest exists it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or members of the public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Local Pension Board in the same way as a real conflict of interest.

## Confidential Information

A member of the Local Pension Board may, by virtue of their employment by an employing authority within the London Borough of Brent Pension Fund, have access to confidential information about their employer.

A member of the Board is not obliged to reveal this information as part of their role on the Local Pension Board.

However, if an affected member considers that the information to which they are party may:

- a) adversely affect the London Borough of Brent Pension Fund or an employer within the Fund,
- b) reasonably cause the Local Pension Board to interpret a decision by the Pension Committee differently or act in a different way were it to be known at the time and

- c) the information will not be made available to the Local Pension board through some other means within such time as the Board is able to fully act upon it,

that Local Pension Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a London Borough of Brent Pension Fund employer which may radically alter that business and have a corresponding effect on its participation in the fund or the size of its liabilities.

### **Identifying and monitoring Conflicts of Interest**

#### **The Role of Individual Members of the Local Pension Board**

There is a duty on all prospective Local Pension Board members to declare interests prior to their appointment to the Board.

Members of the Local Pension Board must provide any information requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

Local Pension Board members must be conscious of the need to be open about potential and actual conflicts. Board members should be aware of their statutory obligations in this area as well as being familiar with the Pension Regulator's code of practice and this policy document.

Where a member has declared an interest which has been recorded on the Register of Member Interests it will not typically be necessary to declare that interest at subsequent Local Pension Board meetings unless the materiality of that interest changes in respect of the Board's business.

In cases of exceptional sensitivity a member of the Local Pension Board may make a notification of an interest to the Chair of the Board, rather than to the full Board.

#### **The Role of the Administering Authority**

London Borough of Brent Council as the Administering Authority for the London Borough of Brent Pension Fund must be satisfied that any individual appointed to the Local Pension Board does not have a conflict of interest and must also ensure that from time to time no such conflict arises.

London Borough of Brent Council shall consider all applications from potential Local Pension Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Local Pension Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board.

#### **The Role of the Local Pension Board**

The Local Pension Board should identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Local Pension Board must comply with the 2013 Act, The 2013 Regulations, guidance from the Pensions Regulator and this policy document.

When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of a Local Pension Board, the Board should consider obtaining legal advice when assessing any option.

There will be a standing agenda item at all meetings of the Local Pension Board at which members will be asked to declare any interests. The Local Pension Board will ensure that a register of member interests will be kept up to date and be included as part of the papers for each meeting of the Local Pension Board.

### **Managing Conflicts of Interest**

In the event that the Local Pension Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential conflict. Some possible methods for the management of potential conflicts are given below.

- Requiring that the member for whom the conflict exists takes no part in discussions or does not vote in respect of the matter for which they are conflicted.
- If practical the member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Local Pension Board responsibilities.
- If the conflict is likely to be persistent and ongoing in such a way that it is likely to limit a member's meaningful participation in the Local Pension Board, that member should consider resigning from their position.
- The Scheme Manager may remove any individual from the Local Pension Board where they consider there is an actual conflict of interest or a potential conflict which it is impractical to manage.

### **Adviser and Officer Conflicts**

The Local Pension Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice for example, legal advice or governance advice.

The Local Pension Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the London Borough of Brent Pension Fund. For this reason officers and advisers giving advice to the Local Pension Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

## Appendix

### Relevant References

<b>2011 Act</b>	The Localism Act 2011.
<b>2013 Act</b>	The Public Service Pensions Act 2013.
<b>2013 Regulations</b>	The Local Government Pension Scheme Regulations 2013 (as amended).
<b>Scheme Manager</b>	The administering authority for the London Borough of Brent Pension Fund, London Borough of Brent Council

### Examples of conflicts of interest

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

#### Example 1

There may be situations where a member of the Local Pension Board who is also an officer for the London Borough of Brent Council or some other employer in the London Borough of Brent Pension Fund faces conflicting priorities by virtue of their two roles. For example, as a Local Pension Board member they may make or scrutinise a decision which requires the use of greater employer resource in order to improve the administration and efficiency of the London Borough of Brent Pension Fund. However, at the same time they may be facing departmental pressure to cut budgets and spend less on pension administration matters.

#### Example 2

The Local Pension Board is reviewing a decision by the Pension Committee to levy an additional charge under the 2013 Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the London Borough of Brent Pension Fund additional costs. Any employer representative on the Board, who is employed by an employer who falls into this category, would need to declare their interest and the resulting conflict of interest would need to be managed.

#### Example 3

It is possible that a scheme member representative is also employed by a firm to whom the Fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.


### Example of where a declared interest may not constitute a conflict of interest

A representative on the Local Pension Board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The Pension board is reviewing the decision to outsource the Fund's administration staff to that company.

In this case the Local Pension Board may consider that on grounds of materiality, no conflict of interest exists. The Local Pension Board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The Local Pension Board member in question should, however, still declare their interest.

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 <b>Brent</b>	<p><b>Pension Board</b> 7 July 2015</p> <p><b>Report from Democratic Services Manager</b></p>
<b>Constitutional matters</b>	

## **1.0 Recommendations**

- (i) to note the membership, terms of reference and arrangements for meetings of the Board as set out in this report;
- (ii) to agree a quorum.

## **2.0 Description**

On 25 February 2015, the General Purposes Committee agreed to establish a Pension Board in accordance with Section 5 of the Public Service Pensions Act 2013 and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

- 2. The Board operates independently of the Brent Pension Fund Sub-Committee.
- 3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the Council's constitution, standing orders or scheme of delegation apply to the Board unless expressly included in this document.

### **Membership and quorum**

- 2.1 The membership of the Board was agreed by the General Purposes Committee on 27 May 2015 as follows:

Brent employer representatives - Councillors Choudhary and Kabir  
Brent employer representative from another employer within the pension fund – awaiting nomination  
Brent member representative (Trade Union) – Unison – Bola George  
Brent member representative (Trade Union) – GMB – Euton Stewart

Brent member representative (Pension Scheme member) – Trevor Dawson

Recruitment of an Independent Chair was at that time still in progress. Mr David Ewart has since been selected and his appointment will be ratified at the next meeting of the Committee. The Chair is a non-voting member of the Board.

Guidance suggests that a meeting of the board is only quorate when at least 50% of both member and employer representatives are present. The Board is asked to agree a quorum that should ensure at least one member and one employer representative is present.

Members of the Pension Board will be appointed by the General Purposes Committee and no substitutes will be permitted. The term of office for members will run for an initial two year period. Any representative who ceases to hold the relevant office or employment that qualifies them to serve shall cease to be a member and an alternative representative will be sought.

### **Terms of reference**

- 2.2 The terms of reference of the Board were agreed at the Annual meeting of Full Council on 20 May 2015 as follows:

Under the Local Government Pension Scheme Regulations 2013 (as amended):

- (i) To assist the Council as scheme manager in securing compliance with:
  - a. The Local Government Pension Scheme Regulations 2013 (as amended),
  - b. any other legislation relating to the governance and administration of the Local Government Pension Fund Scheme (LGPS),
  - c. requirements imposed by the Pensions Regulator in respect of the LGPS,
  - d. such other matters as the LGPS regulations may specify;
- (ii) to assist the Council in securing the effective and efficient governance and administration of the scheme;
- (iii) to consider cases that have been referred to the Pension Regulator and/or the Pension Ombudsman, recommending changes to processes, training and/or guidance where necessary;
- (iv) to produce an annual report outlining the work of the board throughout the financial year to the General Purposes Committee.

### **Meetings**

- 2.3 A sufficient number of meetings will be called to enable the Board to discharge its functions effectively, as decided by the Chair of the Board with the consent of the other Board members, with no fewer than two meetings a year being held. A further meeting of the Board has been scheduled in the Council's programme of meetings for 2 February 2016.

- 2.4 The Council shall give notice to all the Board members of every meeting of the Board, which will be held in public (apart from confidential matters), with all members normally being sent an agenda and papers at least five working days before the meeting unless an urgent meeting is required.
- 2.5 Any meeting of the Board will include provision for confidential matters or matters that would involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 to be dealt with privately by means of passing a resolution excluding the press and public.
- 2.6 The Council shall ensure that a formal record of Board proceedings is maintained. All agendas, reports and minutes will be available on the Council's website except for any confidential or exempt matters

**Contact Officer:**

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Democratic Services Manager

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# Brent

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## **London Borough of Brent Pension Fund Terms of Reference**

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## Terms of Reference for the Brent Pension Board

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## 1. Introduction

- 1.1 The purpose of this document is to set out the terms of reference for the local Pension Board of the London Borough of Brent Pension fund.

## 2. Role of the Local Pension Board

- 2.1 The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to:
- Assist the London Borough of Brent Administering Authority as Scheme Manager;
    - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
    - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
    - in such other matters as the LGPS regulations may specify
  - Secure the effective and efficient governance and administration of the LGPS for the London Borough of Brent Pension Fund
  - Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
- 2.2 The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 2.3 The Pension Board will also help ensure that the London Borough of Brent Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- 2.4 The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## 3. Appointment of members of the Pension Board

- 3.1 The Pension Board shall consist of 6 members and be constituted as follows:

- i) 3 employer representatives;
- ii) 3 scheme member representatives;

- 3.2 There shall be an equal number of Member and Employer Representatives.

### 3.3 Member representatives

3.3.1 Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.

3.3.2 Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

3.3.3 Substitutes shall not be appointed.

3.3.4 3 scheme members shall be appointed to the Board and will consist of:

- 2 Trade Union representatives who are members of the scheme.

- 1 pensioner of the Fund shall be appointed following a recruitment process administered by the Administering Authority with a recommendation to the General Purposes Committee.

### **3.4 Employer representatives**

- 3.4.1 Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
- 3.4.2 Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
- 3.4.3 Substitutes shall not be appointed.
- 3.4.4 3 employer representatives shall be appointed to the Board and will consist of:
- 2 elected councillors appointed by the London Borough of Brent.
  - 1 employer in the Fund shall be appointed following a recruitment process administered by the Administering Authority with a recommendation to the General Purposes Committee.
- 3.5 Members of the Pension Board will be appointed by the General Purposes Committee and no substitutes will be permitted. The term of office for members will run for at least two years, subject to compliance with conditions of employment.
- 3.6 Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least 3 meetings each year. In the event that a Board member fails to attend 3 consecutive meetings, that individual will automatically be disqualified, unless the failure was due to some reason approved by the Board before the date of the 3rd consecutive meeting.
- 3.7 Board membership may be terminated prior to the end of the term of office due to:
- (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.
  - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
  - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
  - (d) A Board member no longer being able to demonstrate to the London Borough of Brent their capacity to attend and prepare for meetings or to participate in required training.
  - (e) The representative being withdrawn by the nominating body and a replacement identified.
  - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.



- (g) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.
- 3.8 The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub committees, particularly where this would add skills and experience.

#### 4. Appointment of Chair

- 4.1 An independent Chair is to be appointed and ratified by the General Purposes Committee. The Chair is non-voting member of the board. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Pension fund or not being a member (active, deferred or retired) of the Local Government Pension Scheme in Brent.
- 4.2 The Chair of the Board:
- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
  - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
  - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

#### 5. Quorum

- 5.1 The Board shall have a formal quorum when at least 50% of both member and employer representatives are present.
- 5.2 Advisers and officers do not count towards the quorum.

#### 6. Conflicts of Interest

- 6.1 All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
- 6.2 A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
- 6.3 On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's 'Conflicts of Interest' policy and the requirements of the Code.

#### 7. Board Review Process

- 7.1 The Board will undertake each year a formal review process to assess how well it and its committees, and the members are performing with a view to seeking continuous improvement in the Board's performance.

## 8. Advisers to the Board

- 8.1 The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including:
- A Governance Adviser
  - The Fund's Actuary;
  - The Fund's Administrator;
  - The Fund's Legal Adviser;
  - The Fund's Investment Adviser(s);
  - The Scheme Manager.
  - Other advisers, so approved by the Scheme Manager.
  - The Pensions Regulator
- 8.2 The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

## 9. Knowledge and Skills

- 9.1 Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 2 above.
- 9.2 A member of the Pension Board must be conversant with:
- The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
  - Any document recording policy about the administration of the LGPS which is adopted by the London Borough of Brent Pension Fund.
- 9.3 A member of the Pension Board must have knowledge and understanding of
- The law relating to pensions, and
  - Any other matters which are prescribed in regulations.
- 9.4 It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
- 9.5 In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.
- 9.6 Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- 9.7 Pension Board members will comply with the Scheme Manager's training policy.

## 10. Board Meetings – Notice and Minutes

- 10.1 The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Independent Chair of the Board, they shall be circulated to all members.
- 10.2 There will be at least 3 Pension Board meetings a year to be held per year, approximately 2 weeks after the Pension Fund Sub-Committee meeting.

## 11. Remit of the Board

- 11.1 The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails.
- 11.2 In accordance with the Regulations, the Pension Board shall secure compliance with:
- The Regulations
  - Other legislation relating to the Governance and administration of the LGPS; and
  - The requirements imposed by The Pensions Regulator in relation to the LGPS, and
  - To ensure the effective and efficient governance and administration of the LGPS.
- 11.3 In support of its core functions the Board may make a request for information to the Pension Fund Sub-Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
- 11.4 In support of its core functions the Board may make recommendations to the Pension Fund Sub-Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

## 12. Standards of Conduct

- 12.1 The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct.

These are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

## 13. Decision Making

- 13.1 Each voting member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Independent Chair of the Pension Board is a non-voting member of the Board.

## 14. Publication of Pension Board information

- 14.1 Scheme members and other interested parties will want to know that the London Borough of Brent Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.
- 14.2 Up to date information will be posted on the London Borough of Brent Pension Fund website showing:
- The names and information of the Pension Board members
  - How the scheme members are represented on the Pension Board
  - The responsibilities of the Pension Board as a whole
  - The full terms of reference and policies of the Pension Board and how they operate
  - The Pension Board appointment process
  - Who each individual Pension Board member represents
  - Any specific roles and responsibilities of individual Pension Board members.
- 14.3 The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
- 14.4 Pension Board papers, agendas and minutes of meetings will be published on the London Borough of Brent Pension Fund website, <https://www.brent.gov.uk/pensions>. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
- 14.5 The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

## 15. Accountability

- 15.1 The Pension Board will be collectively and individually accountable to the Scheme Manager.

## 16. Review of terms of reference

- 16.1 These Terms of Reference shall be reviewed on each material change to those part of the Regulations covering local pension boards and at least every year.
- 16.2 These Terms of Reference were reviewed on 13 March 2019.

## 17. Definitions


17.1 The undernoted terms shall have the following meaning when used in this document:

<i>"Pension Board" or "Board"</i>	Means the local Pension Board for the London Borough of Brent administering authority for the London Borough of Brent Pension Fund as required under the Public Service Pensions Act 2013
<i>"Scheme Manager"</i>	Means the London Borough of Brent as administering authority of the London Borough of Brent Pension Fund.
<i>"Chair"</i>	Means the Chair of the Pension Board
<i>"LGPS"</i>	<p>The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009</p> <p>In Scotland;</p> <p>The Local Government Pension Scheme as constituted by the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme Administration) (Scotland) Regulations 2008, The Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 and the The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010]</p>
<i>"Scheme"</i>	<i>Means the Local Government Pension Scheme as defined under "LGPS"</i>
<i>'Pensions Regulator'</i>	<i>Means the UK regulator of work-based pension schemes.</i>
<i>'the Committee'</i>	<i>Means the committee which has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.</i>
<i>'the Fund'</i>	<i>Means the Fund managed and administered by the Administering Authority.</i>

## 18. Interpretation

18.1 Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be determined by the Scheme Manager.

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	<b>Pension Board</b> 13 March 2019
	<b>Report from the Chief Finance Officer</b>
<b>LGPS Regulations Update</b>	

<b>Wards Affected:</b>	N/A
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	3
<b>Background Papers:</b>	Appendix 2 - LGPC Bulletin 180 – January 2019 Appendix 3 - LGPC Bulletin 181 – February 2019
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Ravinder Jassar, Head of Finance Anna McCormack, Senior Pensions Officer

## 1.0 Purpose of the Report

- 1.1 This report updates the board on recent changes to the Local Government Pension Scheme regulations and other key developments from the Local Government Association's Pensions Committee.

## 2.0 Recommendation(s)

- 2.1 The board is asked to note the report.

## 3.0 Cost Management – McCloud Case

- 3.1 On 21 December 2018 it was reported that the Court of Appeal held that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully discriminatory. This case is known as the 'McCloud case'.
- 3.2 Following the judgment, on 30 January 2019, the Government published a written statement that paused the HMT cost management process for public service pension schemes, pending the outcome of the application to appeal the McCloud case to the Supreme Court. This was supplemented by the publication of the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019, on 15 February 2019.

- 3.3 On 8 February 2019, Scheme Advisory Board (SAB) confirmed it had no option but to pause its own cost management process pending the outcome of the McCloud case. As a result there are currently no changes to benefits planned in respect of the LGPS cost management process from 1 April 2019. This situation will be reviewed once McCloud is resolved which is not expected for some months.
- 3.4 The cost management page of the SAB website has been updated with all of the background information to the above, including the Q&A emailed to administering authorities on 15 February 2019. The Q&A is in HTML format to enable it to be easily updated as events move forward. It sets out potential timescales and possible outcomes of the McCloud case, and its impact on the cost cap process. The current version of the page on dispatch of this report is attached in Appendix 1.
- 3.5 The Contribution rates for 2019/20 are outlined below:

Contribution bandings 2019/20			
		main scheme	50/50 section
up to	£ 14,400.00	5.50%	2.75%
£ 14,401.00	£ 22,500.00	5.80%	2.90%
£ 22,501.00	£ 36,500.00	6.50%	3.25%
£ 36,501.00	£ 46,200.00	6.80%	3.40%
£ 46,201.00	£ 64,600.00	8.50%	4.25%
£ 64,601.00	£ 91,500.00	9.90%	4.95%
£ 91,501.00	£ 107,700.00	10.50%	5.25%
£ 107,701.00	£ 161,500.00	11.40%	5.70%
£ 161,501.00	or more	12.50%	6.25%

- 3.6 Contribution rates for Brent will remain the same as in the previous financial year, with the only change being the inflation uplift applied to each band.

#### 4.0 New Regulations – January 2019

- 4.1 On 4 October 2018, the Ministry of Housing, Communities and Local Government (MHCLG) opened a consultation on proposed amendments to the LGPS. The consultation closed on 29 November 2018. A copy of all the consultation papers (including the Government response published in December 2018) can be found under the scheme consultations page of [www.lgpsregs.org](http://www.lgpsregs.org). On 18 December 2018, the LGPS (Miscellaneous Amendment) 2018 Regulations were laid before parliament.
- 4.2 The Scheme consultations can be accessed at the following link:  
<http://www.lgpsregs.org/schemeregs/consultations.php>
- 4.3 The regulations come into force on 10 January 2019 and amend previous regulations by:
- introducing a general power for the Secretary of State to issue statutory guidance;



- making a technical amendment to allow early access to benefits between the age of 55 and NRD (as defined by the LGPS Regulations 19953), for deferred members who left before 1 April 1998;
- addressing the **Walker v Innospec** judgment by providing that survivors of registered civil partners or same sex marriages are provided with benefits that replicate those provided to widows.

## 5.0 Fair Deal Policy Consultation

- 5.1 The Government's 'Fair Deal' policy was introduced in 1999 and sets out how pensions issues should be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. Under the original Fair Deal guidance, transferred staff had to be given access to a scheme certified as being 'broadly comparable' to their previous public service pension scheme.
- 5.2 The Government announced in July 2012 that the Fair Deal policy would be reformed. Under the 'new' Fair Deal policy, staff transferring from the public sector would have continued access to their public service pension scheme rather than being offered a broadly comparable private pension scheme, as was previously the case. This strengthens existing protections significantly. Protected employees will have increased confidence and security in knowing that, despite their transfer, they will retain a right to all the benefits that come with membership of the LGPS, not least that it is a statutory scheme with benefits set out in law. Moreover, so long as the protected employees remain wholly or mainly employed on the delivery of the service or function transferred, they will continue to have that protection even if the service is subsequently sub-contracted or transferred out again.
- 5.3 A consultation took place in 2016 with mixed responses. Whilst many respondents were supportive of the aims in providing transferred staff with continued access to the LGPS, there were a variety of concerns on the detail of the proposals. More detail on the issues raised are contained in the Government's April 2018 response.
- 5.4 MHCLG have taken a number of steps to address the concerns raised during the first consultation and have invited responses for a further consultation by 4 April 2019. The consultation can be accessed at the following link:  
<https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection>

## 6.0 Good Governance in the LGPS

- 6.1 The LGPS SAB has launched a review which will consider options for enhancing LGPS governance arrangements to ensure that the Scheme is ready for the challenges ahead with regards to efficient management and administration of the pensions function. They have asked Hymans Robertson to research the key issues impacting on the continued effectiveness of the scheme's governance now and in the future.
- 6.2 The duties of an administering authority are set out in regulation however it is not clear if a specific 'fiduciary duty' exists in relation to a pension fund which

would clearly define in whose interests decisions should be made. This gap could lead to potential conflicts of interests between the administering authority and the pension fund.

- 6.3 Through the review process the SAB will be seeking the views of as many stakeholders as possible. Scheme stakeholders will be invited to complete a short online questionnaire which asks for views on potential conflicts, the effectiveness of current LGPS governance arrangements in managing such conflicts and suggestions for improvement.

## **7.0 Financial Implications**

- 7.1 There are no specific financial implications associated with noting this report.

## **8.0 Legal Implications**

- 8.1 None arising directly from this report

## **9.0 Equality Implications**

- 9.1 None arising directly from this report

## **10.0 Consultation with Ward Members and Stakeholders**

- 10.1 Not applicable for this report.

## **11.0 Human Resources/Property Implications (if appropriate)**

- 11.1 None arising directly from this report

**Report sign off:**

**Conrad Hall, Chief Finance Officer**

## The McCloud case Q&A for administering authorities

This Q&A outlines the potential timescales and possible outcomes of the McCloud case and its impact on the cost cap process. Throughout it will refer to the 'cost cap' which is the Government's Employer Cost Cap process as required under the Public Service Pensions Act 2013. There are also references to the SAB cost management process which is both separate and additional to the cost cap. Further information on both these processes can be found back on the [Cost management page](#) of this site.

**At the end there is a question for administering authorities regarding the approach to the 2019 valuation. Please consider your view on this important matter and send your response to [robert.holloway@local.gov.uk](mailto:robert.holloway@local.gov.uk) by Friday 1st March 2019.**

### What is the McCloud case?

The case concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

### What are the potential implications of the case?

If the protections are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be 'upwards' - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.

### If the case is about the judges and firefighters schemes why could it apply to all public service schemes?

Protections were applied to all members within 10 years of retirement in all public service schemes, with the form that protection took varying from scheme to scheme. Although the case only relates directly to two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes.

### Will there be a further appeal?

The Government has applied to the Supreme Court for permission to appeal. Normally a decision on whether to grant permission is received within 3 months of the application, so by mid-April 2019.

### Why has the cost cap process been paused due to McCloud?

Should the finding of the Court of Appeal stand then significant changes to public service schemes may be required. Depending on extent and cost of these changes there could be a material impact on the outcome of the cost cap process.

### What happens if the application to the Supreme Court is refused?

In this case the matter would be referred back to the Employment Tribunal for a remedy hearing. This would normally involve the submission of detailed evidence and could take 12 months or longer to reach a hearing. Once a Tribunal makes a finding on remedy, compensation will be awarded and the schemes amended as appropriate. Alternatively the parties might agree a remedy prior to any hearing and in any event we expect that the cost cap process will be re-run taking into account the remedy and any scheme amendments.

### If the application for permission to appeal to the Supreme Court is successful when would a hearing be held?

In normal circumstances this would not be before the end of 2019. It is hoped given the implications of the case that an earlier hearing could be arranged. However, the hearing date is at the discretion of the Supreme Court and will depend on matters such as the priority it attaches to the case, the Court's workload and the current cases timetable.

**What happens if the Supreme Court upholds the findings of the Court of Appeal?**

As with a rejection of the application for a hearing, the matter would be referred back to the Employment Tribunal for a remedy hearing. This would normally involve the submission of detailed evidence and could take 12 months or longer to reach a hearing. Once a Tribunal makes a finding on remedy, compensation will be awarded and the schemes amended as appropriate. Alternatively the parties might agree a remedy prior to any hearing and in any event we expect that the cost cap process will be re-run taking into account the remedy and any scheme amendments.

**What happens if the Supreme Court overturns the Court of Appeal judgment?**

In this case we would expect the cost cap process to restart and result in a similar outcome to those at present.

**When would any changes to schemes be effective from?**

In the case of remedies, if the Court of Appeal judgement stands, these could be backdated to the commencement of existing protections in April 2015 (2014 for LGPS). For cost cap changes the Government has stated its intention to apply these from April 2019.

**What LGPS protections could be in scope for McCloud?**

Unlike other public service schemes the LGPS moved all members into the CARE scheme whatever their age. However those active members who were within 10 years of their 2008 scheme normal pension age on 31st March 2012 were protected via the statutory underpin. Protected members who meet the criteria for the underpin to apply, will receive the better of their CARE pension or one calculated under 2008 scheme rules.

**What remedy could the Employment Tribunal process result in for the LGPS?**

The remedy either agreed prior to or by the Employment Tribunal is designed to compensate those members found to have been discriminated against and may or may not be exactly in line with the benefits of protected members. It would therefore be premature to speculate on the form any remedy might take should the Court of Appeal judgement stand.

**Would the SAB cost management process still run in the LGPS?**

Yes in any outcome, it is the intention that the SAB cost management process (taking into account any remedies as a result of McCloud) would still run prior to the completion of the cost cap. At this point the SAB may choose to resubmit the existing proposals or review the package taking into account the cost of any remedy and the impact of backdating.

**Will benefit changes have to be backdated to April 2019?**

The SAB is committed to bring forward improvements to benefits costed on the assumption of an April 2019 effective date. However it is concerned about the confusion amongst scheme members which may be caused by the backdating of benefit changes over a potentially significant period and in particular the impact on those who will have left the scheme, voluntarily or otherwise, after April 2019 and prior to the implementation of any scheme changes. The SAB is also acutely aware of the enormous challenge that would be faced by administering authorities and employers in potentially backdating scheme changes over such a significant period. It is therefore currently exploring legal and actuarial options to mitigate these challenges while meeting its obligation to bring forward changes that reflect in full the cost of benefit improvements from April 2019.

**Will any benefit changes from McCloud be taken into account in the 2019 LGPS valuations?**

That will depend on when the timing of the various potential outcomes and the availability of a confirmed set of changes. Although such changes could potentially be taken account of up to March 2020, realistically October 2019 is the cut-off date given the need for employers to set budgets for 2020-21. If the changes cannot be accounted for in the 2019 valuations, then depending on their extent and cost, an interim valuation may be needed to reset employer contribution certificates.

### **Question for LGPS administering authorities**

With regards to the 2019 valuations would you prefer:-

A) To receive guidance from the SAB designed to promote a consistency of approach on how McCloud and/or cost management should be taken account of as part of the 2019 triennial valuation exercise. Such guidance would take the form that;

- i. If there is no finalised outcome on McCloud/Cost cap (including a commitment by government to detailed benefit changes) by 31st August 2019 then the scheme benefit design used in the valuation should be as set out in current regulations.
- ii. Each administering authority would then, with their Actuary, consider how they approach (and reflect in their FSS) the risk around this matter in the same way as they would for other financial, employer and demographic risks.
- iii. Once the outcome of McCloud is known and appropriate benefit changes are made administering authorities would, if they deem appropriate, re-visit employer contributions under such guidance or provision in regulation as may be available at that time.
- iv. A consistent approach to delaying or method of estimating exit credits and payments

Or

B) To have no central guidance and instead leave it to each administering authority to determine their own approach to their valuation (including any potential cost from McCloud or cost cap) taking advice from their actuarial adviser.

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Local Government Pensions Committee  
Secretary, Lorraine Bennett

## LGPC Bulletin 180 – February 2019

### Foreword

This bulletin provides a commentary for LGPS administering authorities in England and Wales on the changes to the LGPS made by the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 [SI2018/1366].

On 4 October 2018, the Ministry of Housing, Communities and Local Government (MHCLG) opened a consultation on proposed amendments to the LGPS. The consultation closed on 29 November 2018. A copy of all the consultation papers (including the Government response published in December 2018) can be found under the [scheme consultations page](#) of [www.lgpsregs.org](http://www.lgpsregs.org). On 18 December 2018, the LGPS (Miscellaneous Amendment) 2018 Regulations were laid before parliament.

The regulations come into force on 10 January 2019 but the provisions listed in regulation 1(2)(a), 1(2)(b)(i) and 1(2)(b)(ii) have effect from 17 April 2018, 5 December 2005 and 13 March 2014 respectively. The regulations amend the LGPS 2013 Regulations<sup>1</sup> and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014<sup>2</sup>, by:

- introducing a general power for the Secretary of State to issue statutory guidance
- making a technical amendment to allow early access to benefits between the age of 55 and NRD (as defined by the LGPS Regulations 1995<sup>3</sup>), for deferred members who left before 1 April 1998
- addressing the [Walker v Innospec judgment](#) by providing that survivors of registered civil partners or same sex marriages are provided with benefits that replicate those provided to widows.

### Actions for administering authorities

There are actions that LGPS administering authorities *must* take as a result of these changes. A summary of the required actions is provided below; more detail is provided in the appropriate sections of this bulletin:

- note and make any necessary changes to procedures / documentation to reflect that from 17 April 2018 deferred members who left the Scheme before 1 April 1998:
  - must now make a written election for early payment to the administering authority, instead of their former employer.

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<sup>1</sup> SI 2013/2356

<sup>2</sup> SI 2014/525

<sup>3</sup> SI 1995/1019

- no longer have to have left all local government employment in order to receive early payment of their benefits under regulation D11(2)(d) of the LGPS Regulations 1995<sup>3</sup> i.e. election for early payment
- revisit calculations of pensions paid to surviving civil partners and same sex spouses and pay any additional amounts due. Await statutory guidance with regard to any further adjustments that may be due e.g. to CETVs, trivial commutations paid to surviving civil partners and same sex spouses and trivial commutations paid to members where the member was in a civil partnership or married to a same sex spouse at the date of payment. MHCLG have confirmed they will issue statutory guidance to assist administering authorities in this exercise.
- make adjustments to the calculation of some widows' and widowers' pensions where the member dies after 9 January 2019.

## Disclosure Requirements

LGPS administering authorities will need to communicate the changes to scheme members, as required under regulation 8 and Part 1 of Schedule 2 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013<sup>4</sup>. Communication of the changes should take place as soon as possible, and in any event, within three months of the date of change (i.e. by 10 April 2019). The national Communications Working Group met on 15 January 2019 and have agreed to provide template wording to be used to communicate the changes. This will be issued by the end of February.

## Updates to online resources

We will update the technical guides, member communications and the national LGPS member website in due course.

## The changes

- [General power for the Secretary of State to issue statutory guidance](#)
- [Payment of deferred benefits from age 55 for leavers before 1 April 1998](#)
- [Surviving partners' pensions - overview](#)
- [Surviving partners' benefits payable under the 1995 Scheme and earlier schemes](#)
- [Surviving partners' benefits payable under the 1998 Scheme](#)
- [Surviving partners' benefits payable under the 2008 Scheme](#)
- [Surviving partners' benefits payable under the 2014 Scheme](#)

## Queries raised with MHCLG

## Definition of terms

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<sup>4</sup> SI 2013/2734



### General power for the Secretary of State to issue statutory guidance

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
Regulations 1(2) and 2	LGPS Regulations 2013: <ul style="list-style-type: none"> <li>• New reg 2(3A),</li> <li>• New reg 2(3B)</li> </ul>	10 January 2019	<p>MHCLG may issue guidance to administering authorities on the administration and management of the Scheme.</p> <p>Before preparing new guidance or revising existing guidance, MHCLG must consult with persons they consider to be appropriate.</p>	<p>Enables MHCLG to provide statutory guidance in areas other than where the regulations specifically provide for it.</p> <p>In their response to the consultation MHCLG state that nothing in the statutory guidance should change or conflict with the meaning of the regulations, unless the court require a new interpretation to ensure consistency with the Human Rights Act 1998. The purpose of the guidance is to clarify the content of the regulations and maintain an appropriate level of consistency in interpretations of its rules between administering authorities.</p>

## Payment of deferred benefits from age 55 for leavers before 1 April 1998

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
Regulations 1(2)(a), 3 and 4	Transitional Provisions 2014 <sup>5</sup> : <ul style="list-style-type: none"> <li>Amends reg 3 by substituting new para (5A)(a)</li> </ul>	17 April 2018	<p>The LGPS (Amendment) Regulations 2018<sup>6</sup> introduced the early payment of deferred benefits <u>at</u> age 55 (or the date the member left all local government employment, if later), for members who left active membership of the Scheme before 1 April 1998. The policy intention of those amendments was to provide for payment <i>from</i> age 55 (this is explained further in <a href="#">bulletin 171</a>). The LGPS (Miscellaneous Amendment) Regulations 2018 legislate for the policy intent.</p> <p>In addition, they make a further change by removing the requirement</p>	<p>The <a href="#">deferred benefit payable table</a> sets out when deferred benefits are payable both before and after these changes.</p> <p>The changes are effective from 17 April 2018, earlier than the effective date of the LGPS (Amendment) Regulations 2018<sup>6</sup> (14 May 2018). MHCLG confirmed that whilst they appreciate it would have been more appropriate for regulation 4 to take effect from 14 May 2018 they are of the opinion that the alternative date will not cause any significant issues.</p> <p><b>Backdating applications</b></p> <p>In the consultation, MHCLG stated that members who were prevented from gaining access to their deferred benefit because of the oversight in the LGPS (Amendment) Regulations 2018<sup>6</sup> should be able to backdate their application and that the facility to backdate would be available for 6 months from the coming into force of this latest amendment to the 1995 scheme rules. However, the LGPS</p>

<sup>5</sup> SI 2014/525

<sup>6</sup> Regulation 24(a) of LGPS (Amendment) Regulations 2018 [SI 2018/493]

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
			for a member to have left all local government employment in order to receive payment of their benefits under regulation D11(2)(d) of the LGPS Regulations 1995 <sup>3</sup> i.e. election for early payment.	<p>(Miscellaneous Amendment) Regulations 2018 do not deliver this.</p> <p>By removing the wording “<i>given within the period of three months beginning with the relevant date</i>” they have in effect provided a facility to backdate payment to 17 April 2018; however, there is not a prescribed time limited facility to backdate, as was suggested in the consultation.</p> <p>It is our understanding that the changes made allow those members who were previously prevented from accessing their benefit from age 55, due to the technical error in the LGPS (Amendment) Regulations 2018), to be able to backdate their election to 17 April 2018, by choosing a relevant date earlier than the date the election was received by the administering authority. Though, in normal circumstances the relevant date would either be the date the election is received by the administering authority or a later date, if specified.</p>

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
				<p><b>Leaving all local government employment</b></p> <p>In their response to the consultation MHCLG confirm that “<i>the Government agrees that removing the requirement for a member to have left all local government employment would be consistent with the proposed policy and the Government’s wider policy on pension freedoms</i>”. They go on to state they intend to fully equalise the rights of deferred members of the 1995 scheme by removing the need for them to have left all local government employment.</p> <p>However, by simply removing paragraph 4(b) of regulation D11 of the LGPS Regulations 1995, they have also inadvertently removed the requirement for a member to have left the employment to which the deferred benefit relates. This is because regulation D4 states that reference to a member ceasing to hold a local government employment includes a member who has opted out. Given that we are talking about a member who would have opted out before 1 April 1998 and still be in the same employment, the impact of this is</p>

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
				<p>likely to be minimal. <b>We will raise the issue with MHCLG</b></p> <p><b>Actions for administering authorities</b></p> <p>Administering authorities will need to ensure that their:</p> <ul style="list-style-type: none"> <li>• scheme communications reflect that a member can elect for early payment prior to their NRD of the 1995 scheme <u>from</u> age 55 and confirm that the member no longer has to have left all local government employment.</li> <li>• where a member makes an election, the election is made to the administering authority.</li> <li>• Where the former employer is no longer a scheme employer, the discretion to allow payment on compassionate grounds now lies with the administering authority.</li> </ul> <p>Administering authorities will need to update their discretionary policies.</p>

Deferred Benefit Payment Table – leavers before 1 April 1998 <sup>7</sup>		
Payable Date	Payment before 17 April 2018	Payment after 16 April 2018
Latest payable date (even if in the same or another local government employment.)	Normal Retirement Date ( <a href="#">NRD</a> ) of the 1995 Scheme i.e. there is no option to defer beyond NRD	Normal Retirement Date ( <a href="#">NRD</a> ) of the 1995 Scheme i.e. there is no option to defer beyond NRD
Or the earlier of:		
Permanent ill health	Any age before <a href="#">NRD</a>	Any age before <a href="#">NRD</a>
On compassionate grounds	On or after age 50 <sup>8</sup> but before NRD if the employing authority determines they are payable.	On or after age 50 <sup>6</sup> but before NRD if the scheme employer determines they are payable, or where a member's employer has ceased to be a scheme employer, the appropriate administering authority.
Early payment – member's request	At age 60 (providing the member is not in local government employment) NB: this option only applied where the member's NRD is after age 60, otherwise benefits were paid at NRD as shown earlier within this table.  Election was made to the employing authority.	On or after age 55 but before NRD (even if the member has not ceased all government employment <sup>9</sup> ).  Election is made to the administering authority.

<sup>7</sup> D11 of the 1995 Regulations

<sup>8</sup> Note: benefits paid before age 55 would be unauthorised under the Finance Act 2004

<sup>9</sup> See [page 6](#) for details of the issue regarding the deletion of D11(4)(b)

## Surviving partners' pensions - overview

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
Reg 1(2)(b)(i) and (ii) and reg 5	<p>Transitional Provisions 2014<sup>5</sup>:</p> <ul style="list-style-type: none"> <li>• New reg 17(9)(c),</li> <li>• New reg 17(9)(d),</li> <li>• New reg 17(9)(e),</li> <li>• Deletes regs 17(11)(a) and (c),</li> <li>• Amends reg 17(11)(b),</li> <li>• Substitutes new reg 17(12),</li> <li>• Substitutes new reg 17(13),</li> <li>• New reg 17(17)</li> </ul>	<p>10 January 2019 in respect of any amendments that do not relate to surviving civil partners or same sex spouses.</p> <p>5 December 2005 in relation to changes for surviving civil partners.</p> <p>13 March 2014 in relation to changes for surviving spouse of a same sex marriage.</p>	<p>The changes intend to:</p> <ul style="list-style-type: none"> <li>• align the payment of pensions payable to surviving civil partners and same sex spouses, with those paid to widows.</li> <li>• Correct earlier discrepancies in regulation 17.</li> </ul>	<p>The tables on the following pages set out the changes to survivor benefits that are affected by the LGPS (Miscellaneous Amendment) Regulations 2018, and the date each change is effective from.</p> <p>The tables detail the membership that should be used in the calculation of short term (where applicable) and long term survivor pensions, both before and after the changes.</p> <p>The information is set out according to when the member left active membership of the Scheme, as below.</p> <ul style="list-style-type: none"> <li>• <a href="#">Leavers before 1 April 1998</a> (1995 Scheme and earlier schemes)</li> <li>• <a href="#">Leavers after 31 March 1998 and before 1 April 2008</a> (1997 Scheme)</li> </ul>

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
				<ul style="list-style-type: none"> <li>• <a href="#">Leavers after 31 March 2008 and before 1 April 2014</a> (2008 Scheme)</li> <li>• <a href="#">Leavers after 31 March 2014</a> (2014 Scheme)</li> </ul> <p>The tables only include survivor benefits where we think the calculation has changed. We plan to issue a revised survivor benefit guide confirming the provisions for all survivor benefits in the next few weeks.</p> <p>Administering authorities should note that there has been a change to widow and widower calculations under the 1995 regulations, in relation to post leaving marriages where the widow/widower was also married to the member at some point after 31/3/1972 whilst the member was active member. The change is introduced by new paragraphs (a) and (c) of regulation 17(13) of the Transitional 2014 Regulations and broadly puts such survivors back in the position they would were</p>



SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
				<p>before the changes to survivor benefits that took effect from 1 April 2014 were made. This change is effect from 10 January 2019 – it is not backdated.</p> <p><b>Conversion of a civil partnership into a same sex marriage</b></p> <p>In our response to the consultation we pointed out that Section 9 of the Marriage (Same Sex Couples) Act 2013 provides that the parties to a civil partnership are able to convert their civil partnership into a marriage. Once converted, the date from which the marriage is to be treated as having subsisted is the date the civil partnership was formed, in accordance with section 9(6) of the 2013 Act. We queried whether the draft regulations needed to be amended to provide that the pension paid to a surviving same sex spouse, when recalculated under these provisions, would be backdated to the date the marriage is treated as having subsisted, i.e. potentially</p>

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
				<p>back to 5 December 2005, rather than just to 13 March 2014.</p> <p>Despite assurances at the time that the draft regulations were sufficient in this regard, MHCLG have since acknowledged that this is not the case. Regulation 1(2)(b)(ii) only provides that the changes be backdated to 13 March 2014 in respect of a surviving same sex spouse – they do not provide that the changes can be backdated to 5 December 2005 where a member has converted a civil partnership into a marriage.</p> <p>MHCLG have informed us that the statutory guidance will confirm that the benefits of a surviving same sex spouse, derived from the conversion of a civil partnership, will be fully covered, to reflect the policy intent (i.e. back dating to 5 December 2005 if appropriate).</p>

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
				<p><b>Actions for administering authorities</b></p> <p>Where indicated in the tables, it will necessary for administering authorities to recalculate:</p> <ul style="list-style-type: none"> <li>the payment of pensions being paid to surviving civil partners and same sex spouses and pay any additional amounts due.</li> <li>pay interest on any payments in accordance with the relevant LGPS regulations.</li> <li>adjust the calculation of widows' and widowers' pensions where the member died after 9 January 2019, where appropriate.</li> </ul> <p>We understand that MHCLG will shortly be consulting on statutory guidance that will direct administering authorities to also revisit:</p> <ul style="list-style-type: none"> <li>trivial commutation payments made to surviving civil partners and same sex spouses</li> </ul>

SI 2018/1366	Regulations amended/inserted or deleted	Effective date of amendment	Description of change	Impact of change
				<ul style="list-style-type: none"> <li>• trivial commutations paid to the member where the member was in a civil partnership or same sex marriage at the point of payment</li> <li>• CETVs where the member was in a civil partnership or same sex marriage at the point of transfer</li> <li>• Potentially some interfund adjustments</li> </ul>

## Survivor benefits payable under the 1995 Scheme and earlier schemes

Relationship	Member died before 1 April 2014	Member died after 31 March 2014 and before 10 January 2019	Member died after 9 January 2019
<b>Widow</b> – post leaving marriage to a male member, where the widow was also married to the member at some point after 31/3/1972 whilst the member was active.	All membership <sup>10</sup>  <b>NO ACTION NEEDED</b>	Membership <sup>10</sup> after 5 April 1978 <u>plus</u> relevant additional membership ( <a href="#">RAM</a> ) <sup>10</sup>  <b>NO ACTION NEEDED</b>	All membership <sup>10</sup>  <b>ACTION:</b> ensure procedures are updated to reflect that the calculation has changed.
<b>Widower-</b> post leaving marriage to deceased female member, where the widower was also married to the member at some point after 31/3/1972 whilst the member was active.	Membership <sup>10</sup> after 5 April 1988, plus 1 April 1972 to 5 April 1988 or any pre 1 April 1972 membership, where the member paid contributions for that period to count towards a widower's <u>long term</u> pension, plus the membership defined in <a href="#">F8(3)</a>  <b>NO ACTION NEEDED</b>	Membership <sup>10</sup> after 5 April 1988 plus <a href="#">RAM</a> <sup>11</sup>  <b>NO ACTION NEEDED</b>	Membership <sup>10</sup> after 5 April 1988 plus the membership defined in <a href="#">F8(3)</a> of the 1995 Regulations.  <b>ACTION:</b> ensure procedures are updated to reflect that the calculation has changed.

<sup>10</sup> The calculation of the long term pension ignores any 1/240<sup>th</sup> increase (by virtue of D2(2)(i) of the 1995 Regulation) to certain additional service awarded or purchased by the member.

<sup>11</sup> Regulation 17(13) of the TP Regs only provides that relevant additional membership that could have counted under regulations 42 and 42A of the 1997 regs can count. A member who ceased active membership prior to 1<sup>st</sup> April 1998 was not subject to the 1997 Regulations and so could not count relevant additional membership under regulation 42 or, as appropriate, regulation 42A of the 1997 Regs. It is believed that this was not intended and that the intention of regulation 17(13) of the TP Regs was that a member who left prior to 1 April 1998 and died after 31 March 2014 should be treated **as if** regulation 42 or, as appropriate, regulation 42A (modified, where relevant, by reg 42B) of the 1997 Regulations applied to him / her.

Survivor benefits payable under the 1995 Scheme and earlier schemes		
Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving civil partner</b> - post leaving civil partnership		
Surviving civil partner's pension payable <b>before</b> the Walker v Innospec judgment	Membership <sup>10</sup> after 5 April 1988 plus the membership defined in <a href="#">F8(3)</a>	Membership <sup>10</sup> after 5 April 1988 plus <a href="#">RAM</a>
Surviving civil partner's pension payable <b>after</b> the Walker v Innospec judgment	<p>Membership<sup>10</sup> after 5 April <b>1978</b> plus the membership defined in <a href="#">F8(3)</a></p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>	<p>Membership<sup>10</sup> after 5 April <b>1978</b> plus the membership defined in <a href="#">F8(3)</a></p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>

Survivor benefits payable under the 1995 Scheme and earlier schemes		
Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving same sex-spouse</b> - post leaving marriage		
Surviving same sex spouse's pension payable <b>before</b> the Walker v Innospec judgment	Membership <sup>10</sup> after 5 April 1988 plus the membership defined in <a href="#">F8(3)</a>	Membership <sup>10</sup> after 5 April 1988 plus <a href="#">RAM</a>
Surviving same sex spouse's pension payable <b>after</b> the Walker v Innospec judgment	<p>Membership<sup>10</sup> after 5 April <b>1978</b> plus the membership defined in <a href="#">F8(3)</a></p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to same sex spouse's from 13 March 2014 (or as far back as 5 December 2005 if the member has converted their civil partnership into a same sex marriage) and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>	<p>Membership<sup>10</sup> after 5 April <b>1978</b> plus the membership defined in <a href="#">F8(3)</a></p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to same sex spouse's from 13 March 2014 (or as far back as 5 December 2005 if the member has converted their civil partnership into a same sex marriage) and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>

## Survivor benefits payable under the 1998 Scheme

Relationship	Member died before 1 April 2014	Member died after 1 April 2014
<b>Surviving civil partner</b> – in civil partnership at date of leaving.		
Surviving civil partner's pension payable <u>before</u> the Walker v Innospec judgment	Membership after 5 April 1988 plus <a href="#">RAM</a>	Membership after 5 April 1988 plus <a href="#">RAM</a>
Surviving civil partner's pension payable <u>after</u> the Walker v Innospec judgment	<p>All membership</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>	<p>All membership</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>



## Survivor benefits payable under the 1998 Scheme

Relationship	Member died before 1 April 2014	Member died after 1 April 2014
<b>Surviving civil partner-</b> post leaving civil partnership		
Surviving civil partner's pension payable <u>before</u> the Walker v Innospec judgment	Membership after 5 April 1988 plus <a href="#">RAM</a>	Membership after 5 April 1988 plus <a href="#">RAM</a>
Surviving same civil partner's pension payable <u>after</u> the Walker v Innospec judgment	<p>Membership after 5 April <b>1978</b> plus RAM</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>	<p>Membership after 5 April <b>1978</b> plus RAM</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>

## Survivor benefits payable under the 1998 Scheme

Relationship	Member died before 1 April 2014	Member died after 1 April 2014
<b>Surviving civil partner-</b> post leaving civil partnership, but also in a partnership with the member at some point after 31/3/1972 whilst the member was active		
Surviving civil partner's pension payable <b>before</b> the Walker v Innospec judgment	Membership after 5 April 1988 plus <a href="#">RAM</a>	Membership after 5 April plus <a href="#">RAM</a>
Surviving civil partner's pension payable <b>after</b> the Walker v Innospec judgment	Membership after 5 April <b>1978</b> plus RAM <b>Action: as above</b>	Membership after 5 April <b>1978</b> plus RAM <b>Action: as above</b>
<b>Surviving same sex spouse partner-</b> married at date of leaving		
Surviving same sex spouse's pension payable <b>before</b> the Walker v Innospec judgment	Membership after 5 April 1988 plus RAM	Membership after 5 April 1988 plus RAM
Surviving same sex spouse's pension payable <b>after</b> the Walker v Innospec judgment	All membership <b>Action: administering authorities are required to:</b> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to same sex spouse's from 13 March 2014 (or as far back as 5 December 2005 if the member has converted their civil partnership into a same sex marriage) and pay any arrears of pension due, including interest for late payment</li> </ul>	All membership <b>Action: administering authorities are required to:</b> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to same sex spouse's from 13 March 2014 (or as far back as 5 December 2005 if the member has converted their civil partnership into a same sex marriage) and pay any arrears of pension due, including interest for late payment</li> </ul>

## Survivor benefits payable under the 1998 Scheme

Relationship	Member died before 1 April 2014	Member died after 1 April 2014
	<ul style="list-style-type: none"> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members.</li> </ul>	<ul style="list-style-type: none"> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members.</li> </ul>
<b>Surviving same sex spouse – post leaving marriage</b>		
Surviving same sex spouse's pension payable <b>before</b> the Walker v Innospec judgment	Membership after 5 April 1988 plus <a href="#">RAM</a>	Membership after 5 April 1988 plus <a href="#">RAM</a>
Surviving same sex spouse's pension payable <b>after</b> the Walker v Innospec judgment	Membership after 5 April <b>1978</b> plus RAM <b>Action:</b> <a href="#">as above</a>	Membership after 5 April <b>1978</b> plus RAM <b>Action:</b> <a href="#">as above</a>
<b>Surviving same sex spouse - post leaving marriage, but also married to the member at some point after 31/3/1972 whilst the member was active</b>		
Surviving same sex spouse's pension payable <b>before</b> the Walker v Innospec judgment	Membership after 5 April 1988 plus <a href="#">RAM</a>	Membership after 5 April 1988 plus <a href="#">RAM</a>
Surviving same sex spouse's pension payable <b>after</b> the Walker v Innospec judgment	Membership after 5 April <b>1978</b> plus RAM <b>Action:</b> <a href="#">as above</a>	Membership after 5 April <b>1978</b> plus RAM <b>Action:</b> <a href="#">as above</a>

## Survivor benefits payable under the 2008 Scheme

Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving civil partner-</b> post leaving civil partnership		
Surviving civil partner's pension payable <b>before</b> the Walker v Innospec judgment	All membership	Membership after 5 April 1988 plus <a href="#">RAM</a> <sup>12</sup>
Surviving same civil partner's pension payable <b>after</b> the Walker v Innospec judgment	All membership  <b>NO ACTION NEEDED</b>	Membership after 5 April <b>1978</b> plus RAM <sup>12</sup>  <b>Action:</b> administering authorities are required to: <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>

<sup>12</sup> There was an option for pre 1 April 2014 leavers or their civil partner to elect before 1 April 2015 for the survivor pension to continue to be based on all membership for leavers between 1 April 2008 and 31 March 2014 – where an election was made this remains in place after these changes.

## Survivor benefits payable under the 2008 Scheme

Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving civil partner</b> - post leaving civil partnership, but also in a partnership with the member at some point after 31/3/1972 whilst the member was active		
Surviving civil partner's pension payable <b>before</b> the Walker v Innospec judgment	All membership	Membership after 5 April 1988 plus <a href="#">RAM</a> <sup>13</sup>
Surviving same civil partner's pension payable <b>after</b> the Walker v Innospec judgment	All membership <b>NO ACTION NEEDED</b>	Membership after 5 April <b>1978</b> plus RAM <sup>13</sup> <b>Action:</b> <a href="#">as above</a>
<b>Surviving same sex spouse</b> – post leaving marriage		
Surviving same sex spouse's pension payable <b>before</b> the Walker v Innospec judgment	All membership	Membership after 5 April 1988 plus <a href="#">RAM</a>
Surviving same sex spouse's pension payable <b>after</b> the Walker v Innospec judgment	All membership <b>NO ACTION NEEDED</b>	Membership after 5 April <b>1978</b> plus RAM <b>Action:</b> administering authorities are required to: <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to same sex spouse's from 13 March 2014 (or as far back as 5 December 2005 if the member has converted their civil partnership into a same sex marriage) and pay any arrears of pension due, including interest for late payment</li> </ul>

<sup>13</sup> There was an option for pre 1 April 2014 leavers or their civil partner to elect before 1 April 2015 for the survivor pension to continue to be based on all membership for leavers between 1 April 2008 and 31 March 2014 – where an election was made this remains in place after these changes

## Survivor benefits payable under the 2008 Scheme

Relationship	Member died before 1 April 2014	Member died after 31 March 2014
		<ul style="list-style-type: none"> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members.</li> </ul>
<b>Surviving same sex spouse</b> - post leaving civil marriage, but also married to the member at some point after 31/3/1972 whilst the member was active		
Surviving same sex spouse's pension payable <u>before</u> the Walker v Innospec judgment	All membership	Membership after 5 April 1988 plus <a href="#">RAM</a>
Surviving same sex spouse's pension payable <u>after</u> the Walker v Innospec judgment	All membership <b>NO ACTION NEEDED</b>	Membership after 5 April <b>1978</b> plus RAM <b>Action:</b> <a href="#">as above</a>

## Survivor benefits payable under the 2014 Scheme

Member has pre and post 2014 aggregated membership (where the pre 1 April has a final salary link)

Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving civil partner- post leaving civil partnership</b>		
Surviving civil partner's pension payable <u>before</u> the Walker v Innospec judgment	N/A	Membership from 6 April 1988 to 31 March 2014, plus <a href="#">RAM</a> , plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations
Surviving same civil partner's pension payable <u>after</u> the Walker v Innospec judgment	N/A	<p>Membership from 6 April <b>1978</b> to 31 March 2014, plus <a href="#">RAM</a>, plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members etc.</li> </ul>

## Survivor benefits payable under the 2014 Scheme

Member has pre and post 2014 aggregated membership (where the pre 1 April has a final salary link)

Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving civil partner</b> - post leaving civil partnership, but also in a partnership with the member at some point after 31/3/1972 whilst the member was active		
Surviving civil partner's pension payable <u>before</u> the Walker v Innospec judgment	N/A	Membership from 6 April 1988 to 31 March 2014, plus <a href="#">RAM</a> , plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations
Surviving same civil partner's pension payable <u>after</u> the Walker v Innospec Judgment	N/A	<p>Membership from 6 April <b>1978</b> to 31 March 2014, plus <a href="#">RAM</a>, plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to civil partners from 5 December 2005 and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members.</li> </ul>



## Survivor benefits payable under the 2014 Scheme

Member has pre and post 2014 aggregated membership (where the pre 1 April has a final salary link)

Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving same sex spouse – post leaving marriage</b>		
Surviving same sex spouse's pension payable <u>before</u> the Walker v Innospec judgment	N/A	Membership from 6 April 1988 to 31 March 2014, plus <a href="#">RAM</a> , plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations
Surviving same sex spouse's pension payable <u>after</u> the Walker v Innospec judgment	N/A	<p>Membership from 6 April <b>1978</b> to 31 March 2014, plus <a href="#">RAM</a>, plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to same sex spouse's from 13 March 2014 (or as far back as 5 December 2005 if the member has converted their civil partnership into a same sex marriage) and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members.</li> </ul>

## Survivor benefits payable under the 2014 Scheme

Member has pre and post 2014 aggregated membership (where the pre 1 April has a final salary link)

Relationship	Member died before 1 April 2014	Member died after 31 March 2014
<b>Surviving same sex spouse</b> - post leaving civil marriage, but also married to the member at some point after 31/3/1972 whilst the member was active		
Surviving same sex spouse's pension payable <u>before</u> the Walker v Innospec judgment	N/A	Membership from 6 April 1988 to 31 March 2014, plus <a href="#">RAM</a> , plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations
Surviving same sex spouse's pension payable <u>after</u> the Walker v Innospec judgment	N/A	<p>Membership from 6 April <b>1978</b> to 31 March 2014, plus <a href="#">RAM</a>, plus the survivor benefit calculated under regs 41, 44 or 47 of the LGPS 2013 Regulations</p> <p><b>Action:</b> administering authorities are required to:</p> <ul style="list-style-type: none"> <li>Recalculate survivor pensions paid to same sex spouse's from 13 March 2014 (or as far back as 5 December 2005 if the member has converted their civil partnership into a same sex marriage) and pay any arrears of pension due, including interest for late payment</li> <li>Await statutory guidance with regard to any further adjustments that may be due e.g. CETVs, trivial commutations paid to survivors or members.</li> </ul>

## Queries raised with MHCLG

We have highlighted throughout the bulletin where, in our view, there are issues with the LGPS (Miscellaneous Amendment) Regulations 2018. A consolidated list of these issues (which have all been raised with MHCLG), including some not already mentioned, is set out below:

1. The deletion of D11(4)(b) – before the changes introduced by this statutory instrument, a member had to leave all local government employment in order to access their deferred benefit before NRD under regulation D11(2)(d). The deletion of D11(4)(b) means that from 17 April 2018 this requirement no longer applies, but additionally it removes the requirement for a member to have left the employment to which the deferred benefit relates. This is because regulation D4 states that a reference to a member ceasing to hold a local government employment includes a member who has opted out. We do not believe that this is the intention of the change as it is inconsistent with successor regulations. Whilst any impact of this is likely to be minimal, we have asked MHCLG to consider amending the regulations to prevent a member who has opted out of an employment from electing for early payment of their benefits in respect of that employment (or confirm the intention of the regulation in statutory guidance).
2. Regulation 4(a)(iv) and (v) of the LGPS (Miscellaneous Amendment) Regulations 2018 amends D11(4)(a) and deletes D11(4)(b); however, there remains a superfluous ‘or’ at the end of regulation D11(4)(a).
3. Regulation 4(a)(iv) of the LGPS (Miscellaneous Amendment) Regulations 2018 amends regulation D11(4)(a) to read “*the date on ~~or~~ after which he attains the age of ~~60~~55*”. In our view, this still seems read that the only date a member may elect for early payment of benefits before NRD is ‘the’ date the member reaches age 55. We believe that D11(4)(a) should read “*a date on or after which he attains the age of 55*”. Whilst MHCLG have made the policy intent clear in this respect (i.e. that benefits can be paid from age 55), we have asked them to consider amending the regulations to reflect that intent, or make it clear in statutory guidance.
4. Regulation 5(d) of the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 amends regulation 17(13) of the Transitional Provisions Regulations 2014; however, in the amendment to regulation 17(13)(d) there is a superfluous “59” after the reference to regulation 14A of the Benefits regulations.
5. Regulation 5(b) of the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 deletes regulation 17(11)(a) of the Transitional Provisions Regulations 2014. As a consequence the reference to regulation 17(11)(a) in regulation 17(15) needs to be amended to reference regulation 17(12)(a), though only in respect of civil partnerships.
6. Regulation 1(2)(b)(i) and (ii) of the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 make the changes for surviving civil partners and same sex spouses effective from 5 December 2005 and 13

March 2014, respectively. Section 9 of the Marriage (Same Sex Couples) Act 2013 provides that the parties to a civil partnership are able to convert their civil partnership into a marriage. Once converted, the date from which the marriage is to be treated as having subsisted is the date the civil partnership was formed, in accordance with section 9(6) of the 2013 Act. In our response to the consultation, we queried whether the draft regulations needed to be amended to provide that the pension paid to a surviving same sex spouse, when recalculated under these provisions, would be backdated to the date the marriage is treated as having subsisted, i.e. potentially back to 5 December 2005, rather than just to 13 March 2014. Despite assurances at the time that the draft regulations were sufficient in this regard, MHCLG have since acknowledged that this is not the case. Regulation 1(2)(b)(ii) only provides that the changes be backdated to 13 March 2014 in respect of a surviving same sex spouse – they do not provide that the changes can be backdated to 5 December 2005 where a member has converted a civil partnership into a marriage. However, MHCLG have confirmed that statutory guidance will confirm that the benefits paid to a surviving same sex spouse, where the date of marriage is before 13 March 2014 (due to the conversion of a civil partnership) will be fully covered and reflect the policy intent (i.e. that benefits will be recalculated in accordance with the LGPS (Miscellaneous Amendment) Regulations 2018 and any additional amounts due backdated to the date the marriage is treated as having subsisted (i.e. potentially back to 5 December 2005).

## Definition of terms

### **F8(3) of the LGPS Regulations 1995**

The membership set out in regulation F8(3) of the LGPS Regulations 1995 is to be included in the calculation of survivor benefits where indicated in the tables above. It includes:

- Ill health enhancement paid under either the 1986 or 1995 Schemes
- Added years purchased by the member under the 1995 Scheme
- Added years purchased by the member under the 1986 Scheme either by a lump sum payment or by regular contributions, but only where the lump sum payment was made or contributions commenced after 5 April 1988
- Membership purchased by certain members under regulation D9 of the 1986 Scheme (e.g. manual workers who had a 12 month waiting period) in respect of periods where there were in employment but not eligible to be a pensionable employee, but only where payment commenced after 5 April 1988
- Membership awarded by an employing authority under regulation B16, B17 (special powers) or B18 (redundancy/efficiency) under the 1995 Scheme
- Membership where the an employing authority passed a resolution under regulation B19 to convert added years awarded under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (and predecessor regulations) into membership under the 1995 Scheme
- Additional years of reckonable service granted at the discretion of the employing authority under regulation D7 of the 1986 Regulations, but only where the resolution to make the award was after 5 April 1988

- Membership that, on 1 May 1995, would have counted as post 5 April 1988 reckonable membership under earlier regulations
- Any increase of reckonable service under D13 of the 1986 Scheme (part-time buy back) where the person already had membership after 5 April 1988 which counted as reckonable membership
- any period of service in respect of a transfer in which counted as reckonable service, where the transfer value:
  - was accepted after 5 April 1988
  - was not a transfer value to which, by virtue of regulation 25(1)(b) of the Local Government Superannuation (Interchange) Regulations 1991, regulations 10 to 15 and 19 and 20 of those Regulations applied

### **Relevant Additional Membership (RAM) – regulation 42(4) of the LGPS Regulations 1997**

- Ill health enhancement paid under the 1997 or 2008<sup>14</sup> Schemes
- Membership awarded by an employing authority under regulation 52 (Power of an employing authority to increase total membership) of the 1997 Scheme
- Membership awarded by an employing authority under regulation 13 (Duty of employing authority to increase total membership of members with membership before the commencement date) of the LGPS (Transitional Provisions) Regulations 1997
- Membership where the an employing authority passed a resolution under regulation 143 to convert added years awarded under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (and predecessor regulations) into membership under the 1997 Scheme
- Added years purchased by the member under regulation 55 of the 1997 Scheme (or earlier Schemes), but only where the lump sum payment was made (if under the earlier Scheme) or contributions commenced, after 5 April 1988
- Any period of membership in respect of a transfer in which counts as reckonable membership, but only where the transfer value was accepted after 5 April 1988
- Membership treated as post 5 April 1988 membership by virtue of the Transitional 1997 Regulations, including (but not limited to):
  - membership from 1 April 1972 to 5 April 1988 where a female member paid contributions (or contributions were deemed to be paid where the member was active on 31 March 1998) for that period to count towards a widower's long term pension
  - Membership before 1 April 1972 membership, where a female member paid contributions for that period to count towards a widower's long term pension
- Any membership purchased by the member by way of a lump sum permitted by the Retirement Benefits Schemes (Continuation of Rights of Members of Approved Schemes) Regulations 1990 - i.e. if additional payments made by a Class B or C member under an agreement started before 1 April 1998 (other than AVCs), when added to the member's basic pension contributions, obligatory and optional contributions during an absence and contributions to a FSAVC scheme,

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<sup>14</sup> Included by virtue of the Interpretation Act 1978 [SI 1978/30]

exceeded 15 percent of remuneration, the member was allowed to pay a lump sum representing the excess to the Scheme.

**Normal retirement date (NRD) of the 1995 Scheme** – is the earlier of:

- age 60 if, by that age, the member would have had 25 or more years membership of the scheme if they had remained in the Scheme until then, or
- the date the member would have achieved 25 years membership, if the date would fall after 60 and before age 65, or
- age 65, if by that age, the member would not have had 25 years membership of the scheme if they had remained in the scheme until then.

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## Distribution sheet

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Local Government Pensions Committee  
Secretary, Lorraine Bennett

## LGPC Bulletin 181 – February 2019 (2)

### Foreword

This bulletin contains a number of important updates for LGPS administering authorities, scheme employers and software providers; whilst also providing a general update for all stakeholders.

Of particular importance are the articles on:

- [cost management \(response by 1 March 2019\)](#),
- [the LGPS \(Miscellaneous Amendment\) Regulations 2018](#),
- [Your LGPS contacts](#), and
- [Tell Us Once \(response by 27 February 2019\)](#),

all of which require action by certain stakeholders.

We have also [published](#) the latest dates for understanding workshops, insight residential course and advance notice of the 2020 Governance Conference.

Additionally, a number of new consultations (pooling guidance and fair deal) have been published by MHCLG to which stakeholders may wish to respond.

If you have any comments on the contents of this bulletin or wish to suggest items that might be included in future bulletins, please contact [Jayne Wiberg](#).

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## LGPS Scheme Advisory Board (SAB) England & Wales

### Cost management update

On 21 December 2018, Lorraine Bennett emailed administering authorities with a [cost management update](#) on behalf of SAB.

On that same day it was [reported](#) that the Court of Appeal held that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully discriminatory. This case is known as the 'McCloud case'.

Following the judgment, on 30 January 2019 the Government published a [written statement](#) that paused the HMT cost management process for public service pension schemes, pending the outcome of the application to appeal the McCloud case to the Supreme Court. This was supplemented by the [publication](#) of the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019, on 15 February 2019.

On 8 February 2019, SAB confirmed it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there are currently no changes to benefits planned in respect of the cost management process (either the LGPS process or HMT process) from 1 April 2019. This situation will be reviewed once McCloud is resolved which is not expected for some months.

The [cost management page](#) of the SAB [website](#) has been updated with all of the background information to the above, including the [Q&A](#) that Lorraine Bennett emailed to administering authorities on 15 February 2019. The Q&A is in HTML format to enable it to be easily updated as events move forward. It sets out potential timescales and possible outcomes of the McCloud case, and its impact on the cost cap process.

### Action for administering authorities

At the end of the Q&A there is a question for administering authorities regarding the approach to the 2019 valuation.

Please can administering authorities consider their view on this important matter and send their responses to [robert.holloway@local.gov.uk](mailto:robert.holloway@local.gov.uk) by **Friday 1st March 2019**.

### SAB and MHCLG infrastructure event

On 15 November 2018, SAB and MHCLG hosted an infrastructure event, chaired by Cllr Roger Phillips, including keynote speaker [Rishi Sunak MP](#) (Minister for Local Government). Following the event Liam Robson published a [note](#) summarising the day in full.

### SAB update

The SAB met on 16 January 2019. An update of the matters covered at the meeting can be found on the [board publication page](#) of [www.lgpsboard.org](http://www.lgpsboard.org). A brief look at some of those discussions (not already covered elsewhere in this bulletin) follows:

- The procurement process for the cost transparency compliance system is progressing smoothly.
- The academies administration group and the third tier employers' working group had been put on hold, but are due to restart as a matter of urgency.
- The separation project has been renamed 'Good Governance in the LGPS'. The contract to make recommendations to enhance the LGPS function within local authority structures has been awarded to Hymans Robertson. This work will begin immediately and Hymans Robertson will be in touch with administering authorities with details of the project, including information on how to complete a questionnaire and further engagement plans.
- The draft responsible investment guidance should be extended to include a checklist enabling administering authorities to measure whether their ESG policy, including climate change risk, represents the minimum to comply with the law, good practice or best practice.
- To avoid any potential legal challenge to the way IORP II has been transposed into legislation by the UK government, the board will undertake discussions with MHCLG.
- To establish the effectiveness of Local Pension Boards, a further survey (building on that undertaken in 2017) is planned for the summer of 2019.
- SAB [wrote](#) to TPR in November 2018 expressing concerns about the burdens being imposed by TPR on individual administering authorities. TPR [replied](#) in December 2018 and in due course will meet with SAB to discuss the issues further.

## LGPS England & Wales

### MHCLG issue consultation on pooling guidance

On 3 January 2019, MHCLG issued [draft statutory guidance](#) on LGPS asset pooling. The guidance sets out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies.

The consultation is an informal one with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS.

The consultation closes on 28 March 2019.

### MHCLG issue consultation on fair deal

On 10 January 2019, Jayne Wiberg on behalf of MHCLG, circulated a policy consultation and draft regulations on '[Fair Deal – strengthening pension protection](#)' in the LGPS.

The consultation contains proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line

with the government's October 2013 [Fair Deal guidance](#) that applies in relation to transfers from central government. The consultation closes on 4 April 2019.

The LGPC will be responding to the consultation in due course. In addition, the national LGPS Technical Group have created a sub-group to review the impact of the consultation and to make recommendations for response. The sub-group will be working closely with the LGA and MHCLG.

### Contribution bands for 2019/20

On 17 October 2018, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2018 was 2.4%. Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year.

The table below sets out the draft contribution bands<sup>1</sup>, which will be effective from 1 April 2019. These are based on the pay bands for 2018/19 as increased by the September 2018 CPI figure of 2.4%, with the result rounded down to the nearest £100.

Draft Contribution table 2019/20			
Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £14,400	5.5%	2.75%
2	£14,401 to £22,500	5.8%	2.9%
3	£22,501 to £36,500	6.5%	3.25%
4	£36,501 to £46,200	6.8%	3.4%
5	£46,201 to £64,600	8.5%	4.25%
6	£64,601 to £91,500	9.9%	4.95%
7	£91,501 to £107,700	10.5%	5.25%
8	£107,701 to £161,500	11.4%	5.7%
9	£161,501 or more	12.5%	6.25%

### LGPS (Miscellaneous Amendment) Regulations 2018 [SI 2018/1366]

On 4 February 2019, the Secretariat published [bulletin 180](#) dated February 2019.

Bulletin 180 provides a commentary for LGPS administering authorities in England and Wales on the changes to the LGPS made by the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 [SI2018/1366].

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<sup>1</sup> To be confirmed once the 2019 Pension Increase (Review) Order is published (expected in March 2019).

The regulations came into force on 10 January 2019, with some provisions having an earlier effect. The regulations:

- introduce a general power for the Secretary of State to issue statutory guidance.
- make a technical amendment to allow early access to benefits between the age of 55 and NRD (as defined by the LGPS Regulations 1995<sup>2</sup>), for deferred members who left before 1 April 1998.
- address the [Walker v Innospec judgment](#) by providing that survivors of registered civil partnerships or same sex marriages will be provided with benefits that replicate those provided to widows.

### Action for administering authorities

There are actions that LGPS administering authorities **must** take as a result of these changes. A summary of the actions is noted below; more detail is provided in the appropriate sections of [bulletin 180](#):

- note and make any necessary changes to procedures / documentation to reflect that from 17 April 2018 deferred members who left the Scheme before 1 April 1998:
  - must now make a written election for early payment to the administering authority, instead of their former employer.
  - no longer have to have left all local government employment in order to receive early payment of their benefits under regulation D11(2)(d) of the LGPS Regulations 1995<sup>3</sup> i.e. election for early payment.
- revisit calculations of pensions paid to surviving civil partners and same sex spouses and pay any additional amounts due. Await statutory guidance with regard to any further adjustments that may be due e.g. to CETVs, trivial commutations paid to surviving civil partners and same sex spouses and trivial commutations paid to members where the member was in a civil partnership or married to a same sex spouse at the date of payment. MHCLG have confirmed they will issue statutory guidance to assist administering authorities in this exercise.
- make adjustments to the calculation of some widows' and widowers' pensions where the member dies after 9 January 2019.

### Discretionary policies

The Secretariat has published revised versions of the Discretionary policy list and guide (versions 1.7 and 1.9 respectively). Clean and tracked changes versions, can be found in the [guides and sample document pages](#) of [www.lgpsregs.org](http://www.lgpsregs.org).

### Action for administering authorities and scheme employers

The documents have very minor changes though will require an amendment to both scheme employers' and administering authorities' mandatory discretionary policies:

- whether to grant the application for early payment of deferred benefits (in respect of a member who left active membership before 1 April 1998) on

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<sup>2</sup> SI 1995/1019

compassionate grounds - application may now be granted by the administering authority where the former employer no longer exists<sup>3</sup>.

- where a member who opted out of the scheme continues to be employed by a Scheme employer, the member is only entitled to receive their benefits at NRD if their employer consents to them doing so (in respect of a member who opted out of the scheme after 31 March 1998 and before 1 April 2008)<sup>4</sup>.

### Exit credits

On 19 December 2018, Lorraine Bennett emailed administering authorities regarding the payment of exit credits by virtue of regulation 64 of the LGPS Regulations 2013.

The email acknowledged that the Secretariat is aware that the payment of exit credits is causing some issues, particularly where there is a side contractual agreement in place with the employer and also where contractors are no longer extending contracts/admission agreements but are looking to terminate the contract and re-bid in order to receive payment of an exit credit. We asked for information about the number of exit credits paid and also their monetary value in order that we could raise the issue with MHCLG. Thank you to those administering authorities that responded.

We have now met with MHCLG on this issue – they have agreed that whilst the general thrust of the regulation requiring an exit credit is right, they will consider making a regulatory change or issuing statutory guidance to provide that where the employer bears no risk, this can be taken account in the calculation of an exit credit payment.

### SCAPE discount rate – impact on actuarial guidance - update

On 9 January 2019, Lorraine Bennett emailed administering authorities confirming that MHCLG had issued revised factors, effective from 8 January 2019 with transitional arrangements for certain events, for:

- non-club transfers in.
- early retirements.
- trivial commutations.
- pension credits (where the debited member left the LGPS prior to 1 April 2014 or the transfer date is prior to 1 April 2014).
- pension debits (pre and post 2014).

The factor spreadsheet and covering letter are available on the [actuarial guidance](https://www.lgpsregs.org) page of [www.lgpsregs.org](https://www.lgpsregs.org). The [transitional guidance document](#) (which sets out the recommended process for administering authorities during the transition to the new factors) has also been updated.

### Club transfer factors

New club factors will come into effect from 1 April 2019. GAD have confirmed they plan to include the new club factors in the next copy of the new LGPS factor

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<sup>3</sup> Regulation 4 of LGPS (Miscellaneous Amendment) Regulations 2018 [SI 2018/1366] effective from 17 April 2018

<sup>4</sup> Regulation 31(7) of the LGPS Regulations 1997 [SI 1997/1612] - this mandatory discretion had been missed in earlier versions of the documents.



spreadsheet (with the 1 April 2019 implementation date). The revised club factors have already been shared with software providers and we will circulate these to administering authorities when they are officially released by MHCLG (due imminently).

### **Process to apply the new Club Factors**

The following process for applying the new factors has been agreed between public service pension schemes:

- where a Club transfer estimate was issued before 1 April 2019 and the option forms are returned within the guarantee period, the payment is made as quoted (i.e. based on the pre 1 April 2019 factors). In turn, the receiving club scheme completes the transfer in based on the club factors used by the sending club scheme (i.e. the pre 1 April 2019 factors), by reference to the calculation date.
- any new estimates from 1 April 2019 or recalculations where the option forms were received outside the guarantee period would be on the new factors (i.e. the new factors effective from 1 April 2019). Again, the receiving club scheme completes the transfer in based on the factors used by the sending club scheme (i.e. the new factors effective from 1 April 2019), by reference to the calculation date.

### **Late retirement factors**

It is intended to introduce new factors and methodology for members taking payment of their benefits after Normal Pension Age. We understand that MHCLG will undertake a consultation with stakeholders soon.

## **LGPS Scotland**

### **Cost management update**

SPPA have provided the Secretariat with the following update for Scottish administering authorities.

#### **Administering authorities to note**

*“As you are aware, the Public Service Pensions Act 2013 requires all public service pension schemes to undergo regular valuations, in addition to the regular fund valuations undertaken by LGPS fund actuaries. At the October meeting of the LGPSAB (Scotland), GAD presented demographic assumptions which have been agreed.*

*The UK Government and Scottish Ministers chose to allow certain exceptions which were designed to protect those closest to retirement from the impact of those reforms. As you will be aware, the Court of Appeal handed down judgment in the cases of McCloud and Sargeant on 20 December 2018: these age-related transitional arrangements were held to be discriminatory. It is anticipated that other public service pension schemes across the UK may be affected by this decision, including LGPS Scotland, notwithstanding that the nature of the comparable transitional arrangements implemented for local government pension schemes [statutory underpin] was slightly different from those adopted for the unfunded schemes.*



*The judgment therefore has implications for post-reform members' benefits, and the UK Government is seeking permission to appeal to the Supreme Court. Meantime, the substantial impact of the judgment is such that it is impossible to assess with certainty the value of current public service pension arrangements. On 30 January 2019 HM Treasury therefore announced in a Written Ministerial Statement that the UK Government intends to pause the 'cost cap' mechanism under the current round of scheme valuations, pending the final outcome of the appeal.*

*As noted in the Ministerial Statement, if the UK Government is successful in its appeal, the cost cap process will resume. If unsuccessful, steps will need to be taken to compensate members who have been unfairly disadvantaged in the post-reform schemes. Accordingly, the nature, and the timescale for implementation, of changes to the provisions of LGPS Scotland flowing from the actuarial valuation of the scheme for cost cap purposes being undertaken by the Government Actuary's Department (GAD) is not currently clear. We understand that changes which were scheduled to come into force this April in the England & Wales LGPS have been put on hold.*

*We are liaising closely with HM Treasury and MHCLG on this matter. Meanwhile, GAD is progressing its valuation calculations only to the extent necessary at this stage, pending greater clarity on the legal position and the UK Government's consequent policy intent".*

### **The Local Government Pension Scheme (Scotland) Regulations 2018 [SSI 2018/141]**

The above regulations were laid before Scottish parliament on 2 May 2018 and came into force on 1 June 2018, with backdated provisions for some regulations. In February 2019, SPPA published its [response](#) to the consultation concerning these regulations. The purpose of the response is to provide stakeholders with a summary of the feedback received to the 2018 consultation and how this feedback impacted on the regulations that were eventually enacted.

### **SCAPE discount rate – impact on actuarial guidance - update**

In November 2018, SPPA published revised factors relating to non-club CETVs and pensioner cash equivalent on Divorce. SPPA have confirmed that they are still waiting for the remainder of the factors to be published.

### **SPPA Circular 1/2018 – overpayments arising from the contracted-out reconciliation exercise**

In [bulletin 167](#) we reported that on the 8 February 2018, SPPA published [circular 1/2018](#) and a [short update](#) on their website. The purpose of this circular was to:

- a) confirm how Guaranteed Minimum Pension (GMP) related overpayments which arise from the contracted-out reconciliation exercise should be managed going forward, and
- b) provide information that the Accountable Officer may wish to take into account when deciding on how accrued GMP related overpayments are managed.

In [bulletin 174](#), we confirmed that Scottish Ministers had decided that the approach to be taken concerning overpayments arising from the contracted-out reconciliation exercise should be in keeping with a similar exercise that took place in 2008/2009. This means that any LGPS pension in payment affected by the contracted-out reconciliation exercise would not be reduced. On 12 July 2018, SPPA published a [consultation](#) to enable this approach. The consultation closed on 11 October 2018.

We have been informed by SPPA that the Increased Pension Entitlement (IPE) regulations were due to be laid in February 2019. However, due to pressures within the legislative system this will now not happen until later in 2019. Until such a time that the regulations are laid, Scottish administering authorities should continue as set out in [bulletin 167](#).

### Review of the structure of the Scottish LGPS

In [bulletin 174](#), we reported that the Scheme Advisory Board (SAB) to the Scottish LGPS issued a [consultation](#) on how the Scottish LGPS may best be structured to serve its members and sponsors. The purpose of the consultation was to seek views on four possible options ranging from maintaining the status quo to full consolidation into one or more larger funds. The consultation closed on 7 December 2018.

On 11 February 2019, the Scottish SAB published the consultation [responses](#) to the Structure review of the Scottish LGPS.

## HMT

### House of Commons Statement on public service pension schemes

On 30 January 2019, the government [announced](#) a pause to one element of the valuations of public service pensions, following a court ruling on part of the 2015 pension reforms. The full statement is set out below and the [implications](#) for the LGPS in England & Wales are discussed earlier in this bulletin.

*“The Coalition Government introduced reforms to public sector pensions, meaning most public sector workers were moved to new pension schemes in 2015.*

*In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members as part of the reforms amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. If this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes.*

*A mechanism for assessing the value of pensions (the “cost control mechanism”) was also introduced as part of the 2015 reforms. In September of last year, Government announced that provisional results indicated that the cost control mechanism would be engaged, triggering automatic changes to member benefits.*

*However, given the potentially significant but uncertain impact of the Court of Appeal judgment, it is not now possible to assess the value of the current public service pension arrangements with any certainty. The provisional estimate is that the potential impact of the judgment could cost the equivalent of around £4 billion per*

*annum. It is therefore prudent to pause this part of the valuations until there is certainty about the value of pensions to employees from April 2015 onwards.*

*The value of public service pensions will not be reduced as a result of this suspension. If the Government is successful in court, we will implement the changes to employee benefits as planned. If the Government is defeated, employees will be compensated in a way that satisfies the judgment.*

*In order to ensure employers are meeting the increased costs of providing pensions, the part of the valuations of the unfunded pension schemes which sets employer contributions (which existed before the 2015 reforms) will continue. Employers in unfunded schemes have been planning for these changes in employer contributions to be implemented in April 2019, and the Treasury is in the process of allocating funding to departments to help with these costs.*

*Whatever the court outcome, we know the costs of providing public sector pensions are increasing. The 2015 reforms were to ensure public service pensions are affordable and sustainable in the long term, maintaining intergenerational fairness and ensuring the burden on the working population remains proportionate.”*

### **The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019**

Following the [HoC statement](#), pausing the cost cap element of the public service pension scheme valuations in light of the potentially significant but uncertain impact of the [McCloud case](#), HMT have published the above Direction. The 2019 Direction pauses the cost cap process whilst enabling the unfunded schemes to proceed with their increase in employer contributions from 1 April 2019.

The Direction and the accompanying documents can be found in the ‘related legislation’ pages of [www.lgpsregs.org](http://www.lgpsregs.org) and [www.scotlgpsregs.org](http://www.scotlgpsregs.org).

## **HMRC**

### **AFT returns and Event reports**

In [bulletin 179](#) we reported that HMRC had asked administering authorities to complete a questionnaire about the Accounting for Tax (AFT) and Event reporting.

To help, this article sets out an administering authority’s HMRC reporting responsibilities in respect of both the:

- Accounting for Tax (AFT) returns, and
- Event reports

Although these tasks can be delegated to a third party, they remain the administering authority’s responsibility.

### **Accounting for Tax (AFT) Returns**

Detailed guidance on the AFT return can be found in the [Pensions Tax Manual](#). Administering authorities are subject to tax charges when making certain payments. These tax charges must be reported and paid to HMRC using the AFT return. Tax charges that need to be reported on the AFT return are:

Charges that apply	HMRC Tax Manual Reference
Short service refund lump sum charge	<a href="#">PTM045000</a>
Lifetime allowance charge	<a href="#">PTM083000</a>
Special lump sum death benefit charge	<a href="#">PTM073010</a>
Serious ill-health lump sum charge (6 April 2011 to 15 September 2016)	<a href="#">PTM063400</a>
Annual allowance charge where the scheme pays the member's charge	<a href="#">PTM056400</a>
Overseas transfer charge	<a href="#">PTM102200</a>
Authorised surplus payments charge	<a href="#">PTM145200</a>
De-registration charge	<a href="#">PTM033300</a>

### Deadlines for submitting AFT returns and tax charge payments<sup>5</sup>

Period during when tax arises	Administering authority filing date and payment deadline (45 days after period end)
1 January to 31 March	15 May
1 April to 30 June	14 August
1 July to 30 September	14 November
1 October to 31 December	14 February

AFT returns must be submitted using the [Pension Schemes Online Service](#).

### Annual Allowance<sup>6</sup>

**Mandatory scheme pays** is where the:

- annual allowance charge for the tax year is more than £2,000, and
- pension input amount (PIA) in the case of the individual in relation to the LGPS (LGPS in England & Wales, Scotland & Northern Ireland are separate schemes) for the tax year exceeds the amount of the annual allowance specified for that tax year.

A member can elect to notify the administering authority (within prescribed timescales) that they require them to pay some or all of their annual allowance charge in return for a reduction to their pension benefits in the LGPS a 'mandatory scheme pays debit'. The individual and the administering authority are jointly and severally liable to the annual allowance charge.

Payment of the annual allowance charge by the administering authority is to be reported in the AFT return for 31 December of the year following the year in which the tax charge arose<sup>7</sup>. The tax is due by the following 14 February. For example: Tax year 2018/19 AFT return by 31 December 2020 tax paid by 14 February 2021.

<sup>5</sup> [Section 254 Finance Act 2004](#)

<sup>6</sup> [\(Sections 237A-237E Finance Act 2004 as amended by Schedule 17 para 15 Finance Act 2011\)](#)

<sup>7</sup> [Section 254 \(7A\) Finance Act 2004 as amended by Schedule 17 para 18 Finance Act 2011](#)

If the administering authority chooses to record payment of the annual allowance charge on the AFT return for an earlier quarter, the tax is due 45 days from the end of that quarter.

Where a member does not meet the mandatory scheme pays conditions, the administering authority may decide to pay the member's annual allowance charge on a voluntary basis ('**voluntary scheme pays**').

Unlike 'mandatory scheme pays' the administering authority is not jointly and severally liable to the tax charge so the liability remains with the member. Any payment made by an administering authority on a voluntary basis should therefore be reported and paid as part of the member's normal self-assessment deadline, currently 31 January following the relevant tax year.

Where the administering authority does not reduce the member's benefits in the LGPS to take account of the tax the administering authority has paid on the member's behalf, the member may also become liable to an unauthorised payments charge.

If both mandatory and voluntary scheme pays options are used for a tax year, the tax deadlines for payment and reporting are different.

## Event Reports

There are some events that occur in a registered pension scheme that must be reported to HMRC using the Event report. Administrators must refer to the [HMRC Tax Manual](#) for guidance.

Event report number	Details of relevant events in LGPS that need to be reported	HMRC Tax Manual Reference
1	Unauthorised payment.	Events 1 - 5 <a href="#">PTM161300</a>
2	Lump sum death benefit(s) of more than 50% of the lifetime allowance.	
4	Serious ill-health lump sum	
5	Cessation of ill-health pension.	
6	Benefit crystallisation events and enhanced lifetime allowance, enhanced protection, fixed protection, fixed protection 2014, fixed protection 2016, individual protection 2014 or individual protection	Events 6 & 7 - <a href="#">PTM161400</a>
7	Pension commencement lump sum	
8	Pension commencement lump sum: primary and enhanced protection	Events 8 to 9 - <a href="#">PTM161500</a>
8A	Stand-alone lump sum	
9	Transfers to qualifying recognised overseas pension schemes.	
14	Change in number of members	<a href="#">PTM161700.</a>
22	Annual allowance	<a href="#">PTM161600</a>

### **Deadlines for submitting Event Reports**

The deadline date for submitting an Event report is 31 January following the end of the tax year.

If the Event report is not received by the deadline the administering authority may be charged a penalty of up to £300. Daily penalties of up to £60 may also be charged if the report is still not submitted.

### **Report transfers to QROPS**

Administering authorities must tell HMRC about transfers to QROPS using [form APSS 262](#) within 60 days of the transfer. They must also report whether the transfer is a taxable overseas transfer. If the transfer is taxable the administering authority also needs to report the information on their AFT Return and pay the tax due.

### **What sub-scheme administrators need to do, if they do not have the necessary login details to use Pension Schemes Online?**

The relevant guidance can be found in the [Online User Manual](#). If the administering authority is having problems signing in (because they have lost their used ID or password) help/guidance can be found in the [HMRC services: sign in or register](#). If the problem relates to online technical issues, the administering authority should contact HMRC's Online Services helpline (0300 200 3600). If the administering authority requires further assistance, including filing event reports and AFT returns, then contact HMRC's Pension Schemes Helpline (0300 123 1079).

### **Fit & Proper changes**

If the administering authority has not accessed Pension Schemes Online for a while, they may be asked a number of questions because, with effect from 1 September 2014, all the persons that make up the scheme administrator must be a fit and proper person to be a pension scheme administrator. Although these questions will ask for details of the director, details should be provided of the person/people who have responsibility for the administration of the scheme within the administering authority.

### **Countdown bulletins 41 & 42**

On 21 January 2019 and 11 February 2019 HMRC published countdown bulletins [41](#) and [42](#) respectively that included articles on:

- scheme financial reconciliation update (bulletin 42 expands the subject of Deficit and Surplus schemes).
- scheme financial reconciliation in scheme cessation.
- Contributions Equivalent Premiums (CEP).
- resubmission responses.

### **HMRC workshops on the Manage and Register Pension Schemes service**

On 25 January 2019, Lorraine Bennett forwarded administering authorities an email from HMRC regarding their Manage and Register Pension Schemes service workshops. These are to be held on 27 and 28 February 2019.

If administering authorities would like to attend, but have yet to contact HMRC, please contact [sarah.l.mee@hmrc.gsi.gov.uk](mailto:sarah.l.mee@hmrc.gsi.gov.uk) or [Karen.smith3@hmrc.gsi.gov.uk](mailto:Karen.smith3@hmrc.gsi.gov.uk).



The workshops are an opportunity for administering authorities to tell HMRC what they would like to see as HMRC design and develop pension scheme reporting and accounting functions, for the Manage and Register Pension Schemes service.

Additionally, this service has now changed its name to Managing Pension Schemes (see [pension schemes newsletter 106](#)).

### **Pension schemes newsletter 106**

On 30 January 2019, HMRC published [pension scheme newsletter 106](#) that includes articles on:

- pension flexibility statistics.
- lifetime allowance for 2019 to 2020 - The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019 [SI 2019/29] were made on 10 January 2019 and come into force on 6 April 2019. As announced in the Budget 2018, the lifetime allowance will increase to £1,055,000 for the tax year 2019/2020.
- changes to HMRC email addresses.
- Guaranteed Minimum Pension (GMP).
- change of name for the Manage and Register Pension Schemes service – now called Managing Pension Schemes.

## **DWP**

### **‘No deal’ scenario Brexit guidance**

On 15 February 2019, DWP updated two sets of guidance explaining the rights of [UK nationals in the EU](#), and [EU citizens in the UK](#), to benefits and pensions if the UK leaves the EU without an agreement (a 'no deal' scenario).

The guidance confirms in respect of both parties that “*There is nothing in UK private occupational pensions legislation that prevents occupational pension schemes from making pension payments overseas. We do not expect that this will change as a result of the UK withdrawing from the EU.*”

### **Pensions dashboards – LGPC response**

In [bulletin 179](#) we confirmed that on 3 December 2018, the government published a [consultation](#) to explore the options for the delivery of online pensions dashboards. The consultation closed on 28 January 2019.

The LGPC responded to the consultation and its response can be found on the [non-scheme consultations](#) page of [www.lgpsregs.org](http://www.lgpsregs.org) and the [non-scheme consultations](#) page of [www.scotlgpsregs.org](http://www.scotlgpsregs.org).

## **TPR**

### **Statement on the UK’s exit from the EU**

On the 24 January 2019, TPR [published a statement](#) on the UK’s exit from the European Union, aimed primarily at the trustees of defined benefit (DB) pension schemes.

The statement confirms that because UK workplace pensions are largely domestic in nature, the TPR does not expect the UK's departure from the EU to have a significant effect in respect of the legislative basis under which schemes operate or trustees' ability to continue to administer their scheme effectively (whether or not the departure is with 'deal' or 'no deal' scenario). However, there are some specific areas that administering authorities may need to pay attention to and these are detailed within the statement (largely relating to cross border activities and the payment of occupational pensions to EU citizens).

## Other news and updates

### Communications working group minutes published

The communications working group meeting took place on 15 January 2019 and the minutes can be found on the [communications working group minutes](http://www.lgpsregs.org) page of [www.lgpsregs.org](http://www.lgpsregs.org). The group discussed a number of topics including member videos, new regulations for public sector websites, LGPS (Miscellaneous Amendment) Regulations 2018, GDPR, ABS template review, cost cap changes, Fair Deal and employer bite sized videos.

### LGA LGPS pensions team

The Secretariat is pleased to welcome two new pensions' advisers to the LGPS pensions team. Alan South joined the team in January 2019 from Bath & North East Somerset and Rachel Abbey joined the team in February 2019 from Surrey. Alan will be working part time and the contact details for both Alan and Rachel can be found in the [contact section](#) at the end of this bulletin.

### LGPC meeting of 16 January 2019

The meeting documents, including minutes of the meeting held on 10 October 2018, have been published on the LGPC minutes pages of [www.lgpsregs.org](http://www.lgpsregs.org) and [www.scotlgpsregs.org](http://www.scotlgpsregs.org). The meeting covered regulatory updates from England & Wales, Scotland and Northern Ireland and a SAB England & Wales update.

### PASA launch new industry group – GMP Equalisation

In [bulletin 177](#), we reported that the High Court had held that schemes must equalise the discriminatory effects of GMPs<sup>8</sup>. [PASA](#) have established a new industry wide group. The group includes representatives from administration, legal, advisory, actuarial, data and trustee sectors.

The aim of the group is to help develop and promote best practice on issues arising from the ruling, from how to address missing data through to dealing with transfer requests and rectifying underpayments.

### Supplementary pensions increase on lump sums

The Secretariat would like to confirm that supplementary pensions increase (PI) is payable on a lump sum derived from a deferred benefit brought into payment. This includes lump sum from pre 2008 membership (3/80<sup>th</sup> lump sum) and any lump sum resulting from commuted (12:1 commutation) final salary and CARE pension.

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<sup>8</sup> Though see [bulletin 177](#) for HMT's statement re public service pension schemes



An example of when this would be payable is set out below:

Date of leaving active membership:	30 September 2016
Effective date of PI for CARE benefits:	1 October 2016
Effective date of PI for final salary benefits:	1 October 2016 (this date could be before 1 October 2016 <sup>9</sup> , if an earlier year's final pay period had been used to calculate final salary benefits)
Deferred benefit payable from:	1 September 2017
Last effective date of PI:	10 April 2017 (2017 Pensions Increase (Review) Order [ <a href="#">SI 2017/417</a> ])

In April 2018, all of the lump sum is eligible for supplementary PI for the period from 10 April 2017 to 31 August 2017 (4 months and 22 days). This is calculated in accordance with article 3 of the Pensions Increase (Review) Order 2018 [[SI 2018/333](#)].

### Technical guide showing the impact of the HMT Ministerial Direction published on 4 December 2018

To assist administering authorities in understanding how the Ministerial Direction dated [3 December 2018](#) impacts upon the payment of LGPS pensions, on 4 January 2019, the Secretariat published a guide titled 'The application of increases to LGPS pensions in payment'. This can be found in the guides and sample documents page of [www.lgpsregs.org](http://www.lgpsregs.org) and [www.scotlgpsregs.org](http://www.scotlgpsregs.org).

The guide is the product of several years' work with a number of associated parties including LGPS software providers, and we would like to thank those parties for the help they have provided.

The information in the guide sets out the Secretariat's understanding of how increases are applied to LGPS pensions in payment on and after 6 April 2016 (i.e. following the end of contracting out). It is based on:

- the Social Security Pensions Act 1975 (SSPA 1975)
- the Pensions Increase Act 1971 (PIA 1971)
- the Pension Schemes Act 1993 (PSA 1993)
- the Social Security Administration Act 1992 (SSAA 1992)
- related Statutory Instruments i.e. Pensions Increase (Review) Orders, Guaranteed Minimum Pensions Increase Orders
- HMT Ministerial Directions issued under s.59A SSPA 1975.

### Background

Following the end of contracting out on 5 April 2016, on 28 November 2016 the Government published a consultation on how future increases to public service pensions could be applied setting out various possible solutions. On 22 January 2018, the Government published the [outcome](#) to its consultation which the Secretariat confirmed in [bulletin 166](#):

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<sup>9</sup> Section 8(2)(a) of the Pensions (Increase Act) 1971

*“This consultation was about how government should continue to meet its obligations to index (price protect) and equalise (make equal payments to men and women) the pension entitlements of a certain group of public servants with an occupational pension known as a GMP.*

*This consultation received 62 responses, broadly in favour of the government’s objectives in continuing to ensure the GMP continues to be indexed and equalised. The government has been implementing an “interim solution” between 6 April 2016 and 5 December 2018. The outcome of this consultation is that this solution will be extended for a further two years and four months. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021.*

*During this period, the government will investigate the possibility of an alternative long-term methodology, known as “conversion”.*

On 4 December 2018, HMT published a Ministerial Direction (‘the Direction’) under section 59A of the Social Security Pensions Act 1975, dated [3 December 2018](#) to implement the outcome of the above consultation. The effective date of the ‘Direction’ is 6 April 2016 and supersedes an earlier Direction dated 5 April 2016 (which was published to account for the 1<sup>st</sup> interim solution). In addition, HMT also republished its guidance titled “[A note on the operation of pensions increase legislation for public service pension schemes](#)” though it omitted to include ‘the Direction’ dated 3 December 2018, consequently the guidance note still shows the superseded Direction of 5 April 2016. Therefore, administrators should replace the 5 April 2016 Direction with ‘the Direction’ dated 3 December 2018 when using the guidance note.

### **TUO – new data error procedure**

On 15 February 2019, Lorraine Bennett emailed administering authorities with a new [data error procedure](#) for those administering authorities that participate in Tell Us Once (TUO).

The process will involve DWP sending, via email, a standard corrected data template to the administering authority if an error in the original data entries has been highlighted to the DWP business desk. Annex 1 of the document sent to each administering authority (not that published herein) contains the contact details that TUO hold for each administering authority. Please can each administering authority review their contact details and also consider:

1. Where the contact email address is as listed in Annex 2 (email addresses that DWP are permitted to use): is the administering authority happy for the corrected personal data of the TUO death notification to be sent to this person for corrective action? If not, please provide the correct email address of the person the administering authority wishes to receive the corrected data for action.
2. Where the email is **not** as listed in Annex 2: is the administering authority able to provide the contact details that comply with annex 2 including email address as listed of the person they wish to receive the corrected data for action?

### Action for administering authorities

DWP would be grateful if administering authorities could **reply by 27<sup>th</sup> February** to the Business Helpdesk emailing:

**[TELL-US-ONCE.SERVICEDESK@DWP.GSI.GOV.UK](mailto:TELL-US-ONCE.SERVICEDESK@DWP.GSI.GOV.UK)** confirming or providing an alternative email address to which the correction data is to be sent, if administering authorities could include their pension fund ID number and name that would be appreciated.

### Your LGPS contacts

We would like to remind all administering authorities that you are responsible for updating your own contacts using the '[Your LGPS contacts](#)' system (launched November 2017).

### Action for administering authorities

We are receiving a high volume of undeliverable messages when we send out communications, particularly to political contacts. We ask that all administering authorities review their contacts and make any necessary updates.

To confirm the following contacts can be updated using the Your LGPS contacts system:

- Pensions manager details for display on [www.lgpsregs.org](http://www.lgpsregs.org) and [www.scotlgpsregs.org](http://www.scotlgpsregs.org)
- Administration contacts for our administration distribution list e.g. for the monthly bulletin
- Scheme member contacts for display on [www.lgpsmember.org](http://www.lgpsmember.org) (and [www.scotlgpsmember.org](http://www.scotlgpsmember.org) once launched)
- Finance and investment contacts for our finance and investments distribution list
- Political contacts (pensions committees and local pension boards).

Please see the [user guide](#) for information on how to use the system.

## Training

### Circular 312

On 11 February 2019, the Secretariat published [circular 312](#) confirming dates for 'understanding workshops', 'insight residential course' and the 2020 Governance Conference. A description of each event plus dates, costs and booking information can be found in the circular, and is summarised below:

- **Understanding workshops – April & May 2019**  
One day workshop covering **the employer role** aimed primarily at staff working for scheme employers who have operational responsibilities under the LGPS. Workshops are to be held at various locations across the country in March 2019. The London workshops are already full and there are limited places available for Cardiff.

One day workshop covering **aggregation** aimed primarily at administering authority staff who deal with, or wish to learn about, the aggregation of LGPS benefits. Workshops are to be held at various locations across the country in April 2019. Booking has been swift though there are limited places available at all venues.

- **Insight residential course – May 2019**

Four day residential course covering most aspects of the LGPS at a foundation level, and aimed at all those involved in LGPS administration. It is suitable for pension administration staff as well as HR, finance and payroll staff, where the pensions function plays a significant part in their day-to-day role. The course is to be held in Eastbourne from 20-23 May 2019.

- **2020 Governance Conference – January 2020 - hold the date!**

The 2020 Governance Conference will be held on 23-24 January 2020 in York. Booking details to be released later this year.

## Wider landscape

### Ban on pensions cold calling

On 9 January 2019, the ban on pension cold calling took effect<sup>10</sup>.

The ban prohibits cold-calling in relation to pensions, except where:

- the caller is authorised by the FCA, or is the trustee or manager of an occupational or personal pension scheme, and
- the recipient of the call consents to calls, or has an existing relationship with the caller

To deliver this policy, the Privacy and Electronic Communications (Amendment) (No 2) Regulations 2018 [SI [2018/1396](#)] were made on 19 December 2018 and come into force on 9 January 2019.

### SFGB officially active

The Government's Single Financial Guidance Body (SFGB), after becoming a legal entity in October 2018, has now officially adopted its delivery functions.

The SFGB consolidates the services offered by the Money Advice Service, TPAS and Pension Wise. On its [official website](#), the SFGB sets out five core functions, including advice and consumer protection.

The SFGB is funded by levies on both the financial services industry and pension schemes. The new body is sponsored by the Department for Work and Pensions, but will also engage with HM Treasury, which is responsible for policy on financial capability and debt advice. The body will also change its name in 2019 as it develops a new outreach strategy, which will include a new integrated service offer and enhanced partnership working with the wider industry, employers and key stakeholders.

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<sup>10</sup> the Privacy and Electronic Communications (Amendment) (No 2) Regulations 2018 [SI 2018/1396]

## State pension triple lock

On 11 February 2019, the Secretary of State for Work and Pensions was [asked](#) “what steps her Department is taking to reduce the number of pensioners living in poverty?”

Guy Opperman, Minister for Pensions and Financial Inclusion, mentioned that the Government will spend a total of £121.5bn on pensioner benefits in 2018/19. He then added: “*We are committed to the triple lock for the remainder of this Parliament, guaranteeing that up to the full amounts of the basic and new state pensions will rise by the highest of average earnings growth, price inflation, or 2.5% and in 2018/19 the increase was 3%.*”

## Legislation

### United Kingdom

Act	Reference Title
<a href="#">2019</a>	The Finance Act

<a href="#">SI</a>	<b>Reference Title</b>
<a href="#">2019/262</a>	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2019

<a href="#">2019/192</a>	The Occupational and Personal Pension Schemes (Amendment etc) (EU Exit) Regulations 2019
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<a href="#">2019/159</a>	The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2019
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<a href="#">2019/29</a>	The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019
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<a href="#">SSI</a>	<b>Reference Title</b>
<a href="#">2019/48</a>	The Teachers’ Superannuation and Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2019

<a href="#">2019/46</a>	The National Health Service Superannuation and Pension Schemes (Scotland) (Miscellaneous Amendments) Regulations 2019
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## Useful links

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

## **LGPS pensions section contact details**

*If you have a technical query, please email [query.lgps@local.gov.uk](mailto:query.lgps@local.gov.uk) and one of the team's LGPS pension advisers will get back to you.*

**Jeff Houston (Head of Pensions)**

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## **Distribution sheet**

Pension managers (internal) of administering authorities

Pension managers (outsourced) and administering authority client managers  
Local Government Pensions Committee  
Trade unions  
CLG  
COSLA  
SPPA  
Regional Directors  
Private clients  
The Pensions Regulator  
The Pensions Ombudsman

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	<b>Pensions Fund Sub-Committee</b> 27 February 2019
	<b>Report from the Chief Finance Officer</b>
<b>Implementation of the Investment Strategy</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
<b>No. of Appendices:</b>	
<b>Background Papers:</b>	Report from the Chief Finance Officer to the Pension Fund Sub-Committee dated 6 November 2018 entitled 'Proposed adoption of the new Investment Strategy'
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 This report updates the committee on progress on the implementation of the investment strategy.

## 2.0 Recommendation(s)

- 2.1 It is recommended the Sub-Committee notes the progress of implementing the investment strategy approved on the 6 November 2018 meeting, including in particular the appointment by the Council (as Administering Authority on behalf of the Brent Pension Fund) of BlackRock Investment Management (UK) Limited pursuant to an investment management agreement in order to facilitate the Pension Fund's investment into the following BlackRock pooled funds:

- (a) Aquila Life Over 15 Years UK Gilt Index Fund; and
- (b) Aquila Life Over 15 Years UK Gilt Index (Term Lending) Fund.

- 2.2 It is recommended the Sub-Committee agrees the proposed investment in the London CIV's infrastructure offering in April 2019.

### 3.0 **Background**

- 3.1 The primary role of the Pensions Sub Committee is the strategic management of the assets of the Fund to ensure it is in a position to meet benefit payments as they fall due and to reach a position of full funding. In particular, pursuant to Part 4 ('Terms of Reference for Council Committees and Sub-Committees') of the Brent Constitution, the Pension Fund Sub-Committee is responsible for (among other things):
- (a) determining policy for the investment, funding and administration of the Pension Fund;
  - (b) appointing and monitoring external service providers, including investment managers and advisers;
  - (c) making decisions to secure efficient and effective performance and service delivery;
  - (d) monitoring performance across all aspects of the service; and
  - (e) undertaking statutory functions on behalf of the Pension Fund and ensuring compliance with legislation and best practice.
- 3.2 As at the last valuation in 2016, the funding position of the Fund was low, at 55%, with assets of £676m and liabilities of £1,238m. In order to ensure that the deficit does not increase, the assets of the Fund need to increase faster than the increase in liabilities. The objective to reach a position of full funding therefore has a significant effect on the investment strategy, where a large proportion of the asset allocation is weighted towards relatively higher risk and higher growth assets, in order to generate superior returns and growth in the long term, above other protection and liability matching assets, such as government bonds.
- 3.3 At the previous Committee meeting on 6 November 2018, authority was delegated to the Chief Finance Officer to sell and acquire new holdings in line with the agreed investment strategy. For these purposes, it is noted that, pursuant to section 9.6 of Part 3 ('Responsibility for Functions') of the Brent Constitution, the Chief Finance Officer is responsible for the administration of the Council's financial affairs, including responsibility for advising on the investment strategy for the Council's pension assets, and to manage these accordingly.
- 3.4 The input of the Fund's investment advisors, Hymans Robertson LLP, has been sought on a number of occasions when implementing the investment strategy and regular meetings have taken place. Given the high level of volatility affecting both the UK and global markets during these times, all investments (whether divestments or new investments) were split into two or three tranches in order to reduce the timing risk associated with trading in such times. Also, no trading took place between 15 December 2018 and 15 January 2019 in order to avoid the market volatility associated with the run up to and post-Christmas periods.

## 4.0 Trading

- 4.1 As agreed at the November 2018 Sub-Committee meeting, a decision was made to sell the Janus Henderson UK Small Caps equity mandate due to it not aligning with the fund's Investment Beliefs. Furthermore, it was decided to allocate these funds to the London CIV Emerging Markets Fund managed by Janus Henderson, in order to meet the Fund's objective of holding a more regionally diversified portfolio of equities.
- 4.2 Trading took place in three tranches between mid-November and mid-December 2018 and resulted in total sales proceeds of £28.86m, net of any fees. By conducting the trades in this way, the Fund avoided significant transition costs that were planned as a result of a change in the manager of the small caps fund.
- 4.3 The investment in the LCIV Emerging Markets fund (£30m) was split into two tranches, with £15m being invested in November 2018 and a further £15m planned in February 2019.
- 4.4 A further £40m was invested into Growth Assets via the existing LCIV DGF manager, Baillie Gifford. This is intended as a temporary investment while the London CIV's investments in Infrastructure and Property become available (with these latter allocations to be built up over time). All trading was completed in December 2018, with the investment being split into two equal tranches. This has increased the total value of the mandate to £114.4m as at 31 December 2018.
- 4.5 The investment strategy recommended a 15% allocation to fixed income (protection assets) with 10% managed passively in government bonds via BlackRock and the remaining 5% allocation managed actively by the London CIV Multi Asset Credit (MAC) fund.
- 4.6 The Fund's exposure to the LCIV MAC fund was opened with an investment of £35m. As the fund only deals on a monthly basis, £18m were transferred in November 2018 and the remaining balance of £17m in January 2019.
- 4.7 The Janus Henderson Total Return Bond Fund is due to be sold in February 2019, with the proceeds being invested in BlackRock longer-dated gilts and for topping up the existing investment of Janus Henderson Emerging Markets fund. The fund had a closing valuation of £91.6m at the end of January 2019, and it is planned to use the proceeds to invest £77m with BlackRock and a further £15m in the LCIV Emerging markets fund (this was to help achieve efficient transition to the Fund's strategy). All the above trades form part of the Investment strategy and will bring the fund closer to meeting its Interim Allocation Target.
- 4.8 The impact of the implementation of the above trades are reflected in the table below showing market values as at the end of December 2018, the fund's interim asset allocation and variance from the target. Further detail is provided in the quarterly monitoring report on the same agenda.

	ASSET CLASS	30/09/2018 Value (£m)	Net Investment Value (£m)	Appreciation (£m)	31/12/2018 Value (£m)	% of Fund	Interim Allocati on Target (%)	Deviation (%)
GROWTH	<b>Equities</b>							
	UK - L&G	117.4		-12.0	105.4	12.6		
	UK Smaller Cos - Henderson	32.8	-28.8	-4.0	0.0	0.0		
	LCIV Henderson - Emerging Markets	0.0	15.0	-0.5	14.5	1.7		
	World Overseas							
	Developed - L&G	315.7		-35.6	280.1	33.4		
	<b>Equities - Total</b>	<b>465.9</b>	<b>-13.8</b>	<b>-52.1</b>	<b>400.0</b>	<b>47.7</b>	<b>45.0</b>	<b>2.7</b>
	<b>Private Equity</b>							
	Capital Dynamics	62.7		-2.2	60.5	7.2		
	Yorkshire	0.0		0.0	0.0	0.0		
INCOME	<b>Private Equity Total</b>	<b>62.7</b>	<b>0.0</b>	<b>-2.2</b>	<b>60.5</b>	<b>7.2</b>	<b>5.0</b>	<b>2.2</b>
	<b>Diversified Growth Fund</b>							
	LCIV Baillie Gifford	78.7	40.0	-4.2	114.4	13.6		
	LCIV Ruffer	49.8		-2.7	47.1	5.6		
	<b>Total Diversified Growth</b>	<b>128.5</b>	<b>40.0</b>	<b>-6.9</b>	<b>161.5</b>	<b>19.3</b>	<b>18.0</b>	<b>1.3</b>
	<b>Infrastructure</b>							
	Alinda	28.1		-0.3	27.8	3.3		
	Capital Dynamics	10.9		0.8	11.7	1.4		
	<b>Infrastructure Total</b>	<b>39.0</b>	<b>0.0</b>	<b>0.5</b>	<b>39.5</b>	<b>4.7</b>	<b>12.0</b>	<b>-7.3</b>
	<b>Property</b>							
PROTECTION	UK - AVIVA	0.0		0.0	0.0	0.0		
	Europe - AVIVA	0.7		-0.5	0.3	0.0		
	<b>Property - Total</b>	<b>0.7</b>	<b>0.0</b>	<b>-0.5</b>	<b>0.3</b>	<b>0.0</b>	<b>5.0</b>	<b>-5.0</b>
	<b>Fixed Income</b>							
	Henderson-Total Return Bond Fund	92.2		-0.6	91.6	10.9		
	LCIV CQS MAC	0.0	18.0	-0.2	17.8	2.1		
	<b>Fixed Income Total</b>	<b>92.2</b>	<b>18.0</b>	<b>-0.8</b>	<b>109.4</b>	<b>13.0</b>	<b>15.0</b>	<b>-2.0</b>
	<b>Cash Deposits</b>							
	Other/Northern Trust - Aviva	106.0	-38.5	0.0	67.5	8.1	0.0	8.1
	<b>Cash Deposits Total</b>	<b>106.0</b>	<b>-38.5</b>	<b>0.0</b>	<b>67.5</b>	<b>8.1</b>	<b>0.0</b>	<b>8.1</b>
	<b>Grand Total</b>	<b>895.0</b>	<b>5.7</b>	<b>-62.0</b>	<b>838.7</b>	<b>100</b>	<b>100</b>	<b>0</b>

- 4.9 Of the £67.5m Cash Deposits balance, £30.7m were unavailable for future investments as the amount has been earmarked to be paid out as part of the College of North West London Transfer, which took place on 14 February 2019.

## 5.0 Fees

5.1 The following table outlines the fees (transaction, management and dilution), incurred from the trades above.

		Investment/(Sale) £	Transaction Fee £	Total Payment/(Income) £
LCIV Emerging Market Equity Fund - J Henderson	Tranche 1	14,947,683.11	52,316.89	15,000,000.00
	Tranche 2	14,947,683.11	52,316.89	15,000,000.00
	<b>Total</b>			<b>30,000,000.00</b>
LCIV Diversified Growth Fund - Baillie Gifford	Tranche 1	19,956,096.59	43,903.41	20,000,000.00
	Tranche 2	20,000,000.00	0.00	20,000,000.00
	<b>Total</b>			<b>40,000,000.00</b>
LCIV MAC Fund	Tranche 1	18,000,000.00	0.00	18,000,000.00
	Tranche 2	17,000,000.00	0.00	17,000,000.00
	<b>Total</b>			<b>35,000,000.00</b>
Janus Henderson Small Cap Sale	Tranche 1	(15,000,000.00)	0.00	(15,000,000.00)
	Tranche 2	(7,540,500.00)	40,500.00	(7,500,000.00)
	Tranche 3	(6,397,101.69)	34,358.81	(6,362,742.88)
	<b>Total</b>			<b>(28,862,742.88)</b>

5.2 It is worth noting that the with regards to the second tranche of the LCIV Baillie Gifford investment of £20m, an arrangement was made with the LCIV in order to synchronise the transaction with another local authority that was selling at the same time. As a result, no dilution fees were incurred on the transaction, resulting in a saving of approx. £44,000. Under normal circumstances, dilution fees are deducted from the amount transferred by LBB to the investment manager, however, in this particular case, the full £20m was invested in the fund. The transaction was managed by the London CIV and council officers have expressed interest in implementing similar arrangements in the future, should the timing of future transactions be as favourable.

5.3 With regards to the LCIV MAC fund, transaction fees, calculated at 0.1%, are only incurred for any withdrawals within the first 12 months. Therefore, there were no fees incurred when making the investment.

## 6.0 Due Diligence

6.1 Brent officers have reviewed a number of documents that detail the extensive procurement process and due diligence undertaken by the London CIV in the appointment of CQS (LCIV MAC) and Janus Henderson (LCIV Emerging Markets).

6.2 The next investment that will be available on the LCIV's pipeline, and in line with the Fund's investment strategy, is infrastructure. Brent officers attended the LCIV offices on 14 February to review a series of documents related to the procurement of the manager responsible for managing this investments.

## **7.0 Infrastructure**

- 7.1 Following the Fund's strategic review, it was agreed to increase the Fund's exposure to income assets and, as part of this strategic change, increase the Fund's infrastructure target allocation from 8% to 15%. The strategic rationale for doing this was to increase the Fund's exposure to assets that seek to generate long-term real returns with a notable element of this return from income. It was agreed that this increase in income allocation would be built up over time, thereby helping provide diversification and potential providing flexibility in the Fund's strategy should other complementary income assets become available.
- 7.2 At 31 December, the Fund had £39m invested in infrastructure (4.7% of Fund assets). These investments are held with Alinda II and III infrastructure funds (£27.8m in aggregate) and Capital Dynamics (£11.7m invested in the manager's Clean Energy fund).
- 7.3 The Fund's current approach to accessing infrastructure is to commit a certain amount of money to the investment managers' funds, with the manager then calling these monies over time, as investments become available. The Fund currently has c.\$14m in uncalled capital commitments to its current funds (almost all with Alinda). If this capital was called, it would increase the Fund's infrastructure exposure to c6%, however, this figure ignores any market moves between now and the capital calls and the impact of income being distributed from the existing funds i.e. by the time we expect the capital to be called we expect the actual allocation to be less than 6% of Fund assets.
- 7.4 As part of pooling it is anticipated that, subject to appropriate due diligence, the Fund's future infrastructure investments will be made via the London CIV. Based on discussions with the London CIV, Funds will have the ability to commit additional amounts of money on an annual basis.
- 7.5 Given the above points, most notably on diversification and the ability to review commitments on an annual basis, it is recommended that the Fund commits, subject to due diligence, £50m to LCIV's infrastructure fund at this time. With this commitment level revised on an annual basis. £50m represents c6% of Fund assets. It will be drawn down over time and will represent a significant step in the Fund's strategic journey with an increased allocation to income assets.
- 7.6 As agreed previously, these capital calls will form part of the Fund's strategic change, and therefore are anticipated to be funded from a combination of Fund cashflow and partial divestments from the DGF holdings. It would also be possible to release cash from rebalancing of the Fund's assets relative to target, e.g. as a result of significant market movements.

## **8.0 Financial Implications**

- 8.1 These are set out throughout the report.

## 9.0 Legal Implications

- 9.1 Pursuant to a shareholders' agreement dated 9 Oct 2015, the Council is a shareholder in the LCIV, a voluntary collaborative venture between the London local authorities incorporated on 17 July 2014 to invest the assets of the London Local Government Pension Scheme. As a member of the LCIV, the Council (as the Administering Authority of the Brent Pension Fund) has discretion to opt in to investment options made available through the LCIV, and thus to invest the Pension Fund assets into LCIV sub-funds and passive funds managed outside the LCIV platform by passive providers but in respect of which reduced management fees exclusive to LCIV members apply. The Council's Pension Fund Sub-Committee, in exercising delegated functions of the Pension Fund within the scope given under Part 4 ('Terms of Reference for Council Committees and Sub-Committees) of the Brent Constitution, is empowered to recommend that the Pension Fund invests into such LCIV sub-funds and passive funds, including those noted in Recommendation 2.1 of this report, and to authorise the appointment of investment managers in respect of the Pension Fund's investments.
- 9.2 Pursuant to Regulation 9(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Council (as the Administering Authority of the Brent Pension Fund) is permitted to appoint one or more investment managers to manage and invest Pension Fund money, or any part of such money, on its behalf, and subject to compliance with the conditions on appointments set out therein.
- 9.3 Pursuant to Regulation 10(1)(e) of The Public Contracts Regulations 2015, contracts entered into by contracting authorities including the Council for *"financial services in connection with the issue, sale, purchase or transfer of securities or other financial instruments..."* are exempt from public contracts tendering requirements and in this respect it is noted that the investment management agreement (and the transactions contemplated by it) referred to in Recommendation 2.1 of this report falls within this category and the exception in Regulation 10(1)(e) therefore applies.

## 10.0 Equality Implications

- 10.1 Not applicable.

## 11.0 Consultation with Ward Members and Stakeholders

- 11.1 Not applicable.

## 12.0 Human Resources

- 12.1 Not applicable.

### **Report sign off:**

**Conrad Hall**  
Chief Finance Officer





# London Borough of Brent Pension Fund

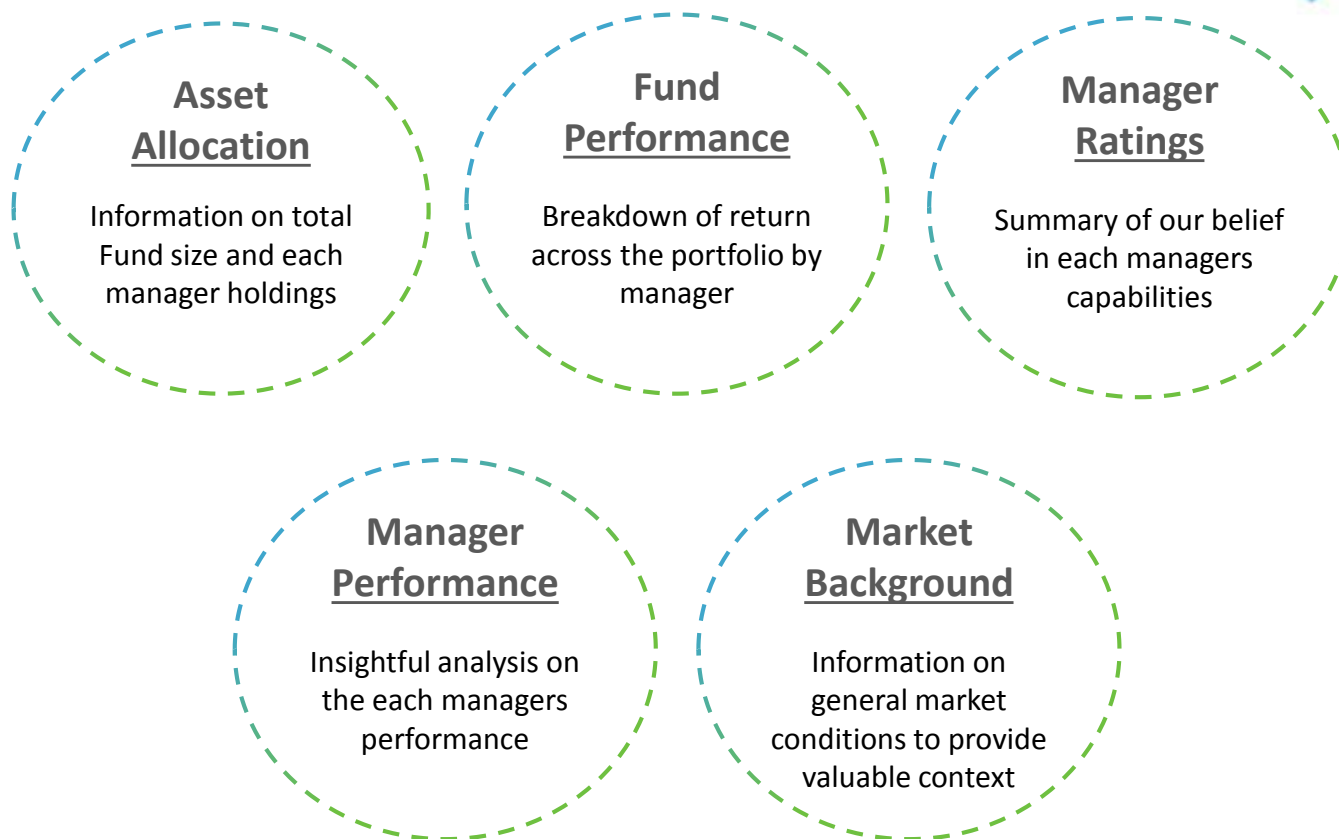
## Q4 2018 Investment Monitoring Report

William Marshall, Partner  
Caoimhe Bain, Associate Consultant  
Kameel Kapitan, Associate Consultant

# Investment Monitoring Reports

## Investment Monitoring Reports (IMR)

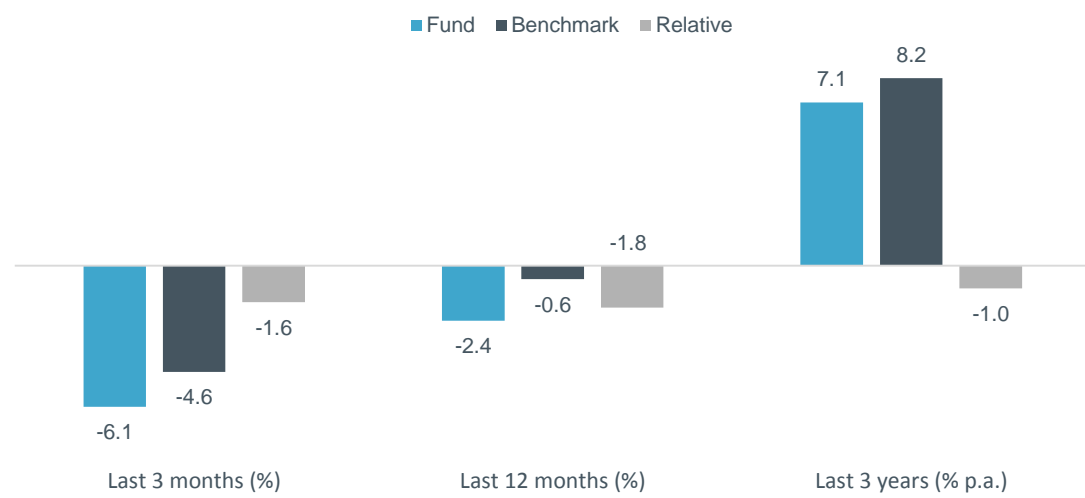
- A valuable resource for Officers and the Committee to help them with their fiduciary duties
- The 5 key sections of the report are:
  - Asset Allocation
  - Fund Performance
  - Manager Ratings
  - Manager Performance
  - Market Background
- Our performance monitoring reports provide an overview of the Fund's investment holdings as well as delivering meaningful analysis to assess whether a manager has delivered on their objectives.
- Commentary is provided to support Officers and Committee members in their understanding of developments in their holdings over the short and long term.
- Another key purpose of an IMR is to give an insight to as to the extent to which the returns achieved are consistent with each manager's philosophy, investment approach and market conditions.
- The performance information is sourced from Northern Trust



Executive Summary

- Total Fund return behind benchmark for quarter 4 2018
  - Over the quarter the Fund contracted from £895m to just under £839m.
  - In general the last quarter of Q4 was a testing time:
    - Equity markets fell c10%
    - Credit-spreads widened
    - Government yields declined
  - Main detractors to relative performance were Henderson Small Cap and the two multi-asset growth funds.
  - Key contributors to restrict relative underperformance the Fund's cash holding and the two Capital Dynamics funds
- Page 149
- Key Actions
- At the November meeting the Committee reaffirmed their commitment to increase allocations to infrastructure and property over the long-term (subject to more information from LCIV funds)
  - Agreed to invest around £40m into the Baillie Gifford multi asset fund over the shorter term whilst await infrastructure opportunities
  - The Committee agreed to run off their private equity holdings with Capital Dynamics

Performance



Source: Northern Trust 31 December 2018 performance report

Manager Rating Changes

There were no changes to any manager ratings over the quarter.

High Level Asset Allocation

"GrIP"	Current (actual)	Interim Target	Long Term Target
Growth (Equity, DGF)	74.2%**	68.0%	60.0%
Income (Property, Infrastructure)	4.7%	17.0%	25.0%
Protection (Bonds)	21.1%*	15.0%	15.0%

\*Includes 8.1% currently held in cash. \*\*Whilst on the journey to its interim and long term targets, its has been agreed that the Fund will hold the excess assets in within the growth portfolio, most notably the Baillie Gifford diversified growth allocation, as a proxy for more income oriented funds.

Market Returns

Equity markets fell heavily as US interest rates rose again and investors became more pessimistic about the outlook for global growth. Credit spreads widened in-line with equity market falls while government bond yields declined.

World Markets

Global equity markets took a sharp turn lower at the start of Q4 as US government bond yields climbed 3.2%. Declines resumed in December as tighter monetary policy and concerns over the sustainability of the pace of global growth came to the fore.

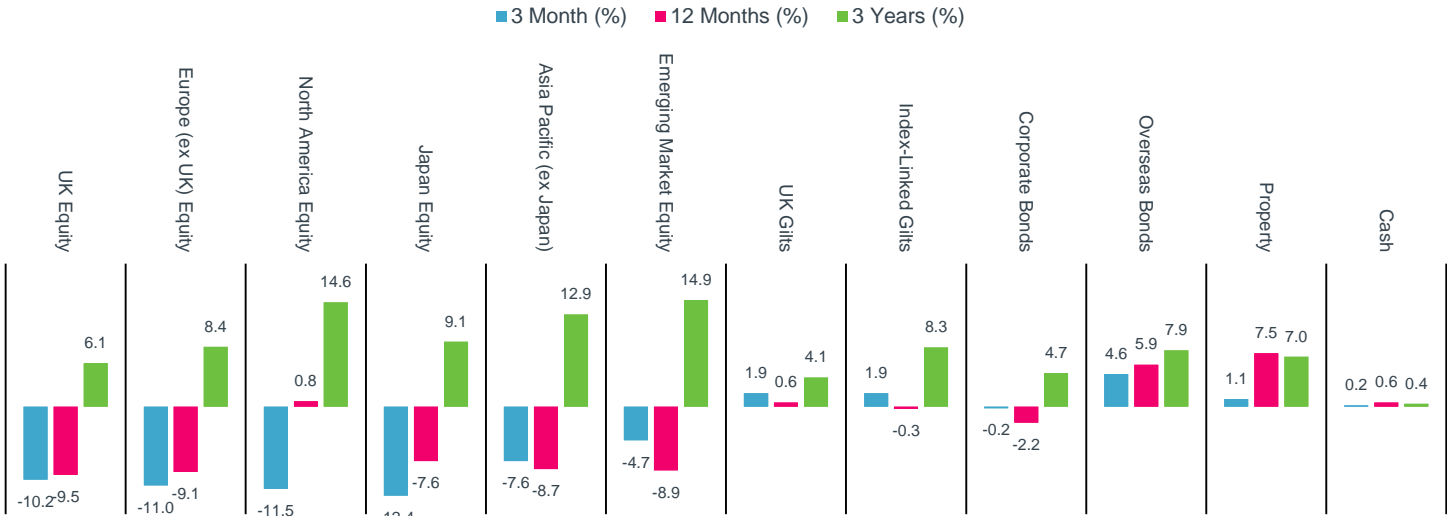
Regional Equities

Japan was the worst performing region as yen strength and slowing growth in Europe and China weighed heavily on exporters. North America also marginally underperformed global indices while Emerging markets were the best performing region. Returns to UK investors were less negative given renewed sterling weakness.

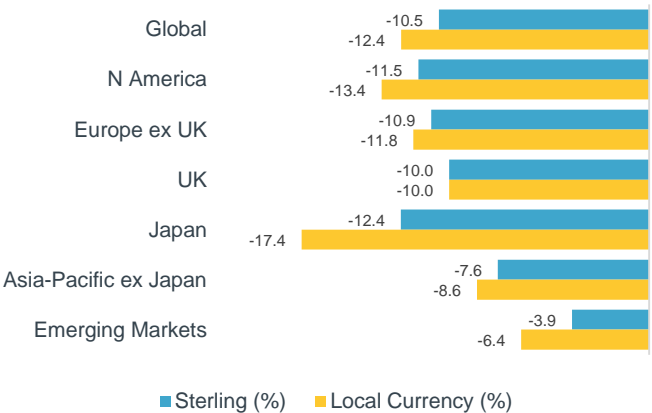
Sector Performance

Performance divergence across global sectors showed defensive stocks, such as utilities, performed strongly as markets fell while more growth orientated and cyclical sectors, such as technology and industrials, underperformed. Oil and gas was the worst performing sector as a result of declining oil prices.

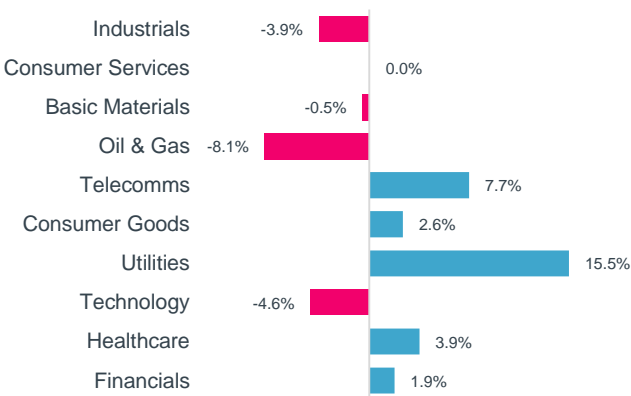
Historic returns for world markets



Regional equity returns



Global sector performance





Asset Allocation

- Over the last quarter of 2018 a number of strategic changes were implemented as the Fund journeys towards the agreed interim target:

- Full divestment from Henderson's UK Small Cap
- Initial allocation to Henderson's EM equity fund
- Initial allocation to the LCIV MAC Fund (CQS)

- Interim Target:
  - Growth: 68%
  - Income: 17%
  - Protection: 15%

- Long-term Target:
  - Growth: 60%
  - Income: 25%
  - Protection: 15%

Key Actions  
Over the next quarter the Fund expects to:

- Fully divest from the Henderson Total Return Bond fund
- Complete new investment in BlackRock's over 15yr gilts passive fund
- Complete 2<sup>nd</sup> tranche allocations to Henderson EM and LCIV MAC funds
- Receive call for funds for Alinda III infrastructure fund

Manager	Valuation (£m)		Actual Proportion
	Q3 2018	Q4 2018	
LGIM Global Equity	315.7	280.1	33.4%
LGIM UK Equity	117.4	105.4	12.6%
Henderson UK Small Cap	32.8	0.0	0.0%
Capital Dynamics Private Equity	62.7	60.5	7.2%
Baillie Gifford Multi Asset	78.7	114.4	13.6%
Ruffer Multi Asset	49.8	47.1	5.6%
Henderson Emerging Markets	0.0	14.5	1.7%
<b>Total Growth</b>	<b>657.1</b>	<b>622.0</b>	<b>74.2%</b>
Alinda Infrastructure	28.1	27.8	3.3%
Capital Dynamics Infrastructure	10.9	11.7	1.4%
Aviva Property	0.7	0.3	0.0%
<b>Total Income</b>	<b>39.7</b>	<b>39.7</b>	<b>4.7%</b>
Henderson Total Return Bonds	92.2	91.6	10.9%
CQS Multi Credit	0.0	17.8	2.1%
<b>Total Protection</b>	<b>92.2</b>	<b>109.4</b>	<b>13.0%</b>
Cash	106.0	67.5	8.1%
<b>Total Scheme</b>	<b>895.0</b>	<b>838.7</b>	<b>100.0%</b>

- The performance figures are based on Northern Trust's December 'Investment Risk & Analytical Service' report. We are in communication with Northern Trust in relation to elements of their reporting, specifically the method of calculating the total Fund benchmark figures shown.
- The Fund benefited from its asset allocation over the quarter given its near 10% cash reserves. On the other hand, stock selection detracted from performance, particularly within its multi-asset holdings.
- Total Fund return was behind benchmark/target for the last quarter of 2018 by 1.5% as investments combined to deliver an absolute return of -6.1%.
- Emerging market equities (Henderson) proved more resilient over the quarter than their more developed counterparts
- Despite underperformance over the quarter from the Fund's multi asset funds, they delivered on their objective of providing protection to the Fund versus equity markets
- Henderson UK Small Cap underperformed although this is now no longer a holding within the Fund.

Fund performance

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	-11.3	-11.3	0.0	-2.4	-2.5	0.1	12.8	12.8	0.0
LGIM UK Equity	-10.2	-10.3	0.1	-9.4	-9.5	0.1	6.3	6.1	0.2
Henderson UK Small Cap	-17.4	-12.4	-5.8	-19.9	-14.1	-6.8	-0.2	3.8	-3.9
Capital Dynamics Private Equity	5.9	1.9	3.9	21.5	8.0	12.5	17.8	8.0	9.1
Baillie Gifford Multi Asset	-4.4	1.0	-5.4	-4.9	4.1	-8.6	3.0	3.9	-0.9
Ruffer Multi Asset	-5.4	1.0	-6.4	-6.0	4.1	-9.8			
Henderson Emerging Markets	-2.8	-2.5	-0.4	-2.8	-2.5	-0.4	-1.0	-0.8	-0.1
Income									
Alinda Infrastructure							-1.3	8.0	-8.6
Capital Dynamics Infrastructure							7.0	8.0	-0.9
Protection									
Henderson Total Return Bonds	-0.6	1.0	-1.6	-2.6	4.0	-6.4	2.0	4.0	-1.9
CQS Multi Credit	-1.2	0.3	-1.5	-1.2	0.3	-1.5	-0.4	0.1	-0.5
Total	-6.1	-4.6	-1.6	-2.4	-0.6	-1.8	7.1	8.2	-1.0

Source: Northern Trust 31 December 2018 performance report

- There were no manager rating updates over the quarter

Manager ratings

Manager	Mandate	Hymans Rating
LGIM	Global Equity	Preferred
LGIM	UK Equity	Preferred
Capital Dynamics	Private Equity	Suitable
Baillie Gifford	Multi Asset (LCIV)	Preferred
Ruffer	Multi Asset (LCIV)	Preferred
Janus Henderson	Emerging Markets (LCIV)	Positive
CQS	Multi Credit (LCIV)	Not Rated
Alinda	Infrastructure	Not Rated
Capital Dynamics	Infrastructure	Not Rated
Aviva	Property	Suitable
Janus Henderson	Total Return Bonds	Positive

Hymans Rating System		Responsible Rating System	
Preferred	One of our highest rated strategies within this asset class.	Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Positive	We have a positive opinion on the strategy and believe it has a high possibility of reaching its objectives. But we believe there are superior strategies available.	Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Suitable	We believe the strategy is suitable for pension scheme investors from a regulatory perspective, but we have no strong view on its forward-looking prospects.	Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Negative	We have a negative outlook for the strategy relative to peers.	Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.	Not Rated	Insufficient knowledge to be able to form an opinion on.

LGIM business update

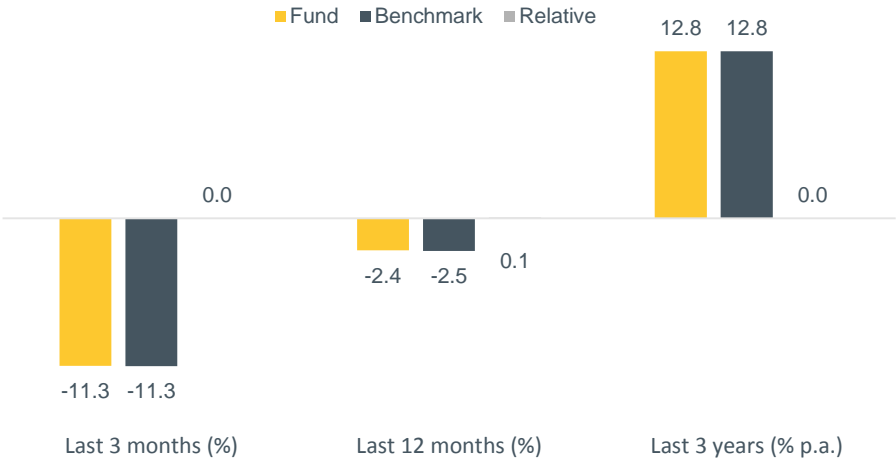
We held another meeting with LGIM during the quarter to get an update following the whistleblower allegations made against the firm. This meeting supported our initial view that there was insufficient evidence to place any of our research ratings 'on watch', although this remains an option should our view change or further allegations come to light. In our opinion LGIM has provided us sufficient comfort that its management has taken the allegations seriously and is working hard to ensure a culture of adherence to internal procedures to ensure that it manages client money within an acceptable risk framework. We anticipate the internal actions and interaction with the FCA will continue for up to six months, and will continue to monitor LGIM's progress through this period.

We continue to rate Legal and General Investment Management's market cap and fundamental index-tracking equity capability at 'Preferred'.

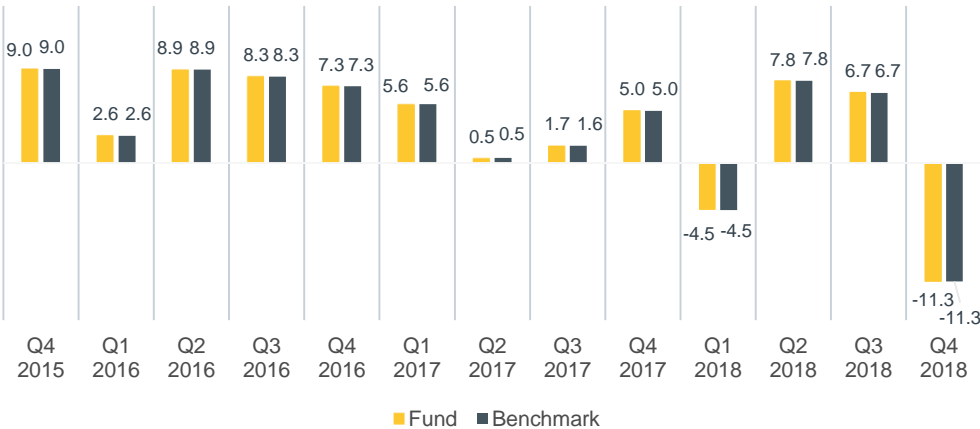
LGIM Global Equity

- Global equity markets suffered in the last quarter of 2018
- LGIM's Global Equity mandate matched its benchmark over the quarter, delivering a negative absolute return of 11.3%.
- After positive performance over quarter 2 and 3 2018, quarter 4 witnessed increased uncertainty and negative market sentiment.
- Emerging market equities showed more resilience over the quarter but overall performance was heavily dominated by the US market given its weighting in the portfolio (c64%).
- One of the key detractors of performance was US IT stocks. Microsoft Corporation and Apple Inc are the two top holdings in the portfolio.
- We continue to rate LGIM as "preferred". Please refer to 'Manager Ratings' section for a further LGIM update.

Fund performance vs benchmark/target



Historical Performance/Benchmark

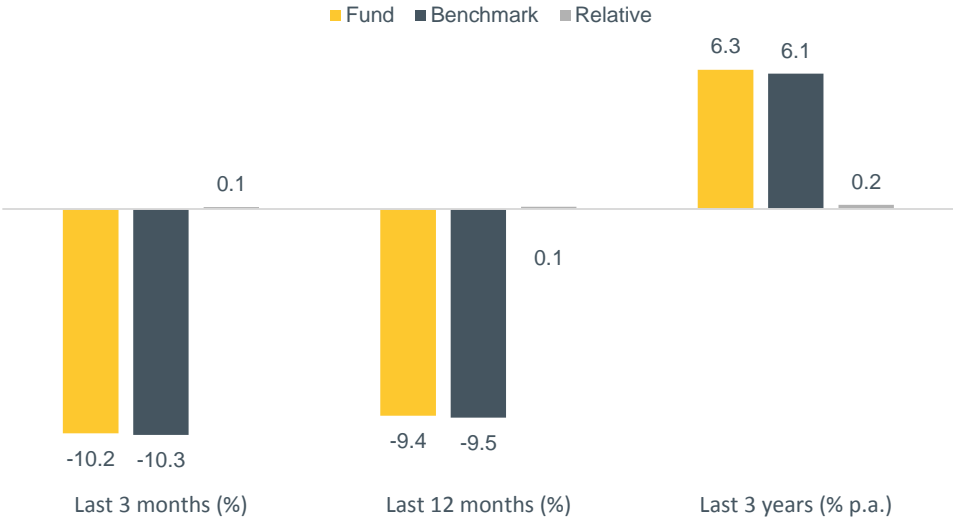




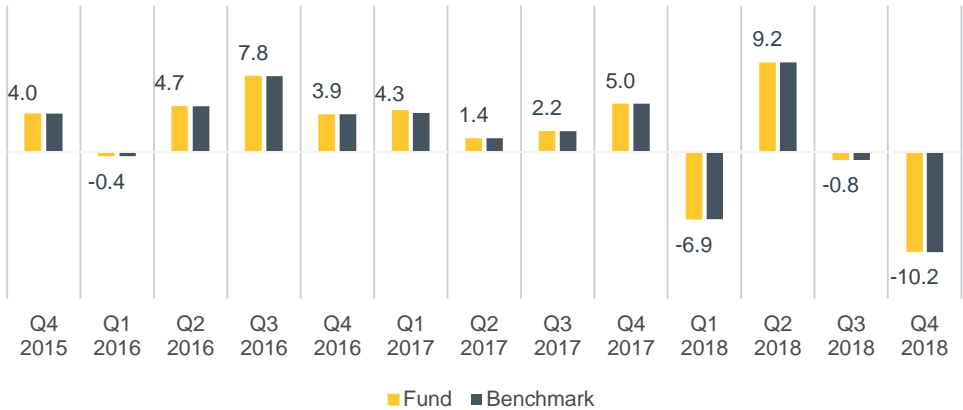
LGIM UK Equity

- The UK equity market was not immune to the overall slowdown in quarter 4
- UK Equity mandate delivered a negative absolute return of -10.2%
- The economic outlook within UK has been dominated in recent times by Brexit. Further recent political uncertainty and the increasing prospect of a 'no deal' scenario dampened investor sentiment and dragged UK stocks lower in Q4 2018.
- Since 31 December 2018 we have seen a slight rebound in markets
- We continue to rate LGIM as "preferred". Please refer to 'Manager Ratings' section for a further LGIM update.

Fund performance vs benchmark/target



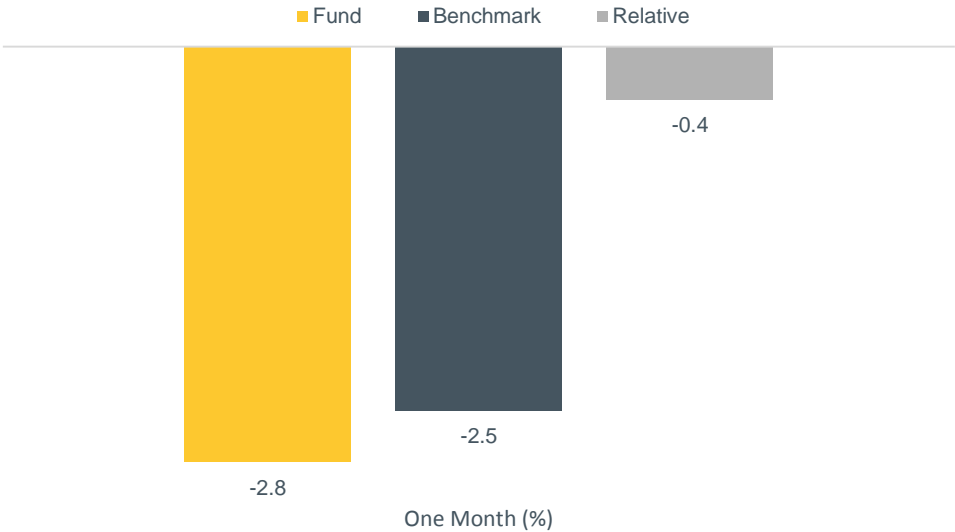
Historical Performance/Benchmark



Henderson Emerging Markets

- The London Borough of Brent recently allocated funds to Janus Henderson's Emerging Market Fund as part of wider strategic changes.
- The trade was implemented during November 2018.
- The funds objective is to outperform the MSCI emerging market index by 2.5% p.a.
- Over the period to 31 December 2018 the fund underperformed this target by 0.3% delivering an absolute performance of negative -2.8%.
- Annualised performance over the three years horizons is 11.7%
- Performance widely varied across the regions invested in with the Brazilian market being one of the biggest positive contributors due to the positive outcome surrounding the recent election.
- We currently rate Janus Henderson's capability as 'positive' which has remained unchanged over the quarter.

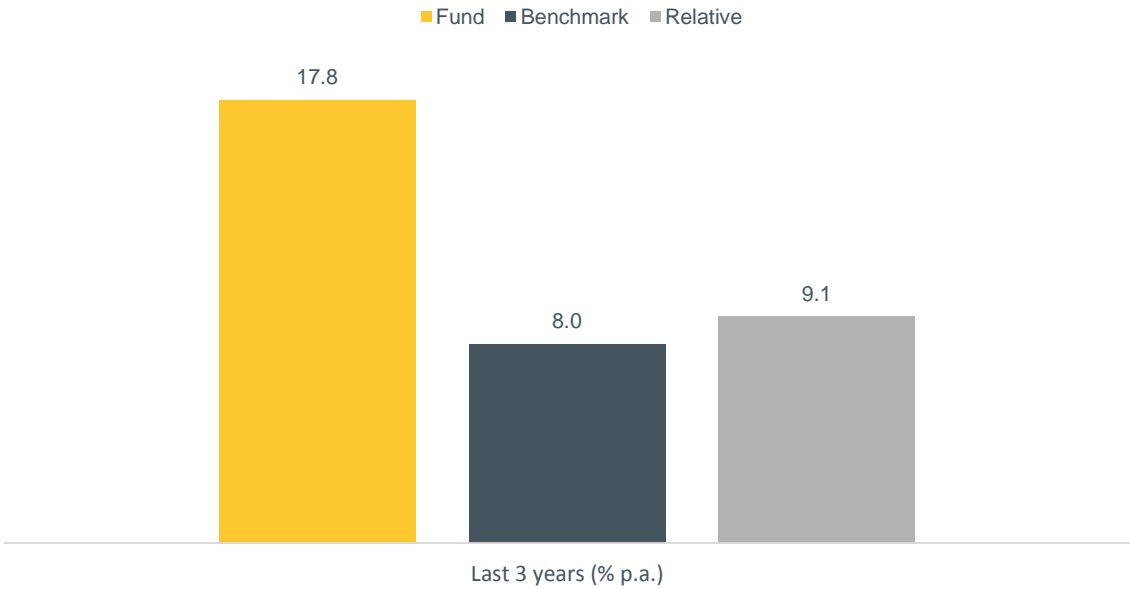
Fund performance vs benchmark/target



Capital Dynamics Private Equity

- Capital Dynamics invests Brent commitment across a number of different funds providing a well diversified portfolio by geography and style.
- Target: Deliver absolute return of 8.0% p.a.
- Assessing short and medium term performance of private markets can be a challenge. The comments below are based on numbers available to us.
- Over a 3 year timeframe annualised return has been 17.8% versus its 8% p.a. target.

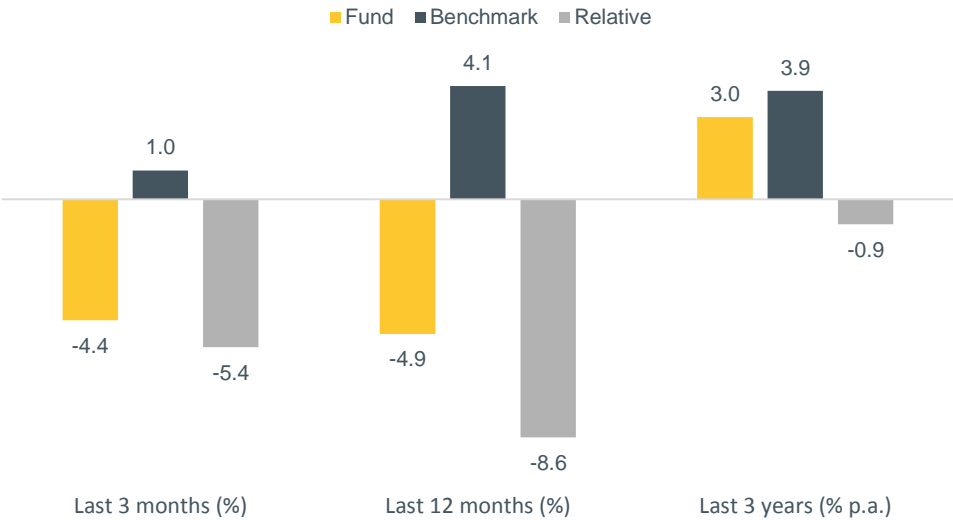
Fund performance vs benchmark/target



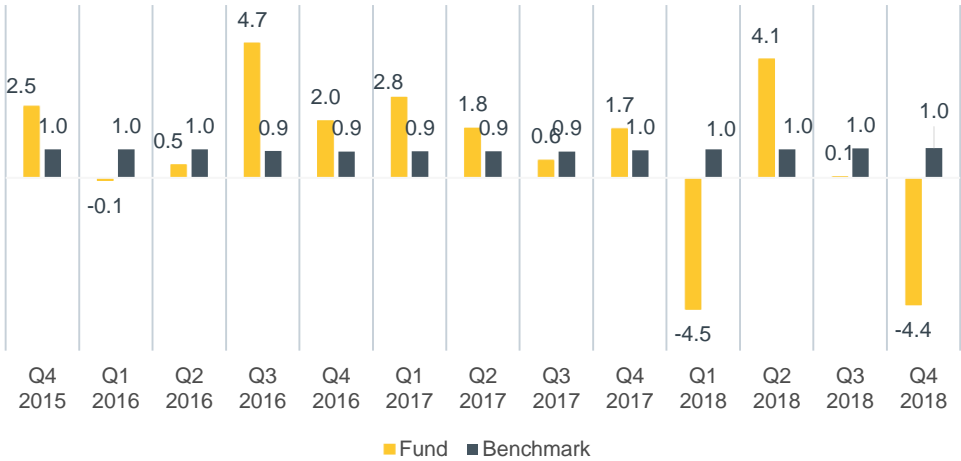
Baillie Gifford Multi-Asset

- Target: Base Rate + 3.5% p.a.
- Baillie Gifford's multi-asset growth fund returned -4.4% (gross of fees) over the fourth quarter of 2018.
- Over the longer term annualised performance is closer in line with target (3.5% vs 3.9%).
- In nature, multi-asset mandates are more defensively positioned growth allocations (due to its cash and fixed income allocations). This positions it to perform well versus equity markets in times of volatility
- In holding this allocation, the Fund partially protected itself from the Q4 equity market falls.
- Baillie Gifford remain confident in the defensive positioning with changes over the quarter including modest reductions to listed equities and increased commitment to assets geared to protect against volatility (e.g. emerging market bonds and commodities like Nickel).
- We remain confident in Baillie Gifford's capability to deliver performance within the Fund going forward which is reflected by our unchanged rating of "preferred".

Fund performance vs benchmark/target



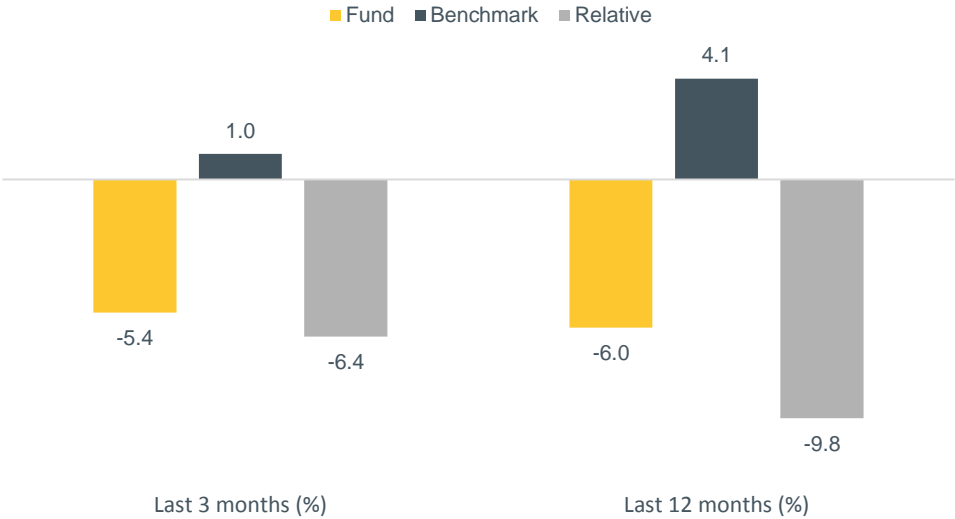
Historical Performance/Benchmark



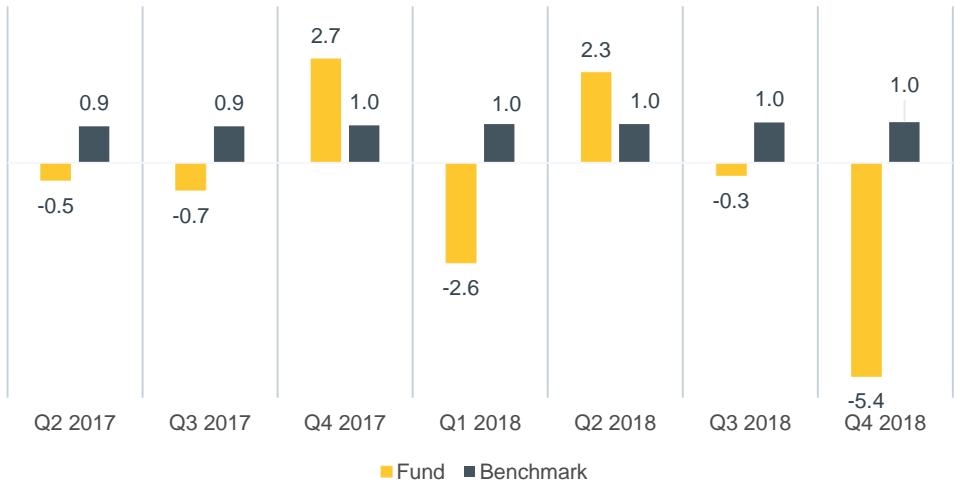
Ruffer Multi-Asset

- Target: Base Rate + 3.5% p.a
- The fund returned -5.4% over the fourth quarter of 2018, underperforming the BOE Base Rate +3.5% p.a. (positive 0.9% per quarter).
- In holding this allocation, the Fund partially protected itself from the Q4 equity market falls through its diversification across asset classes.
- Similar to the Baillie Gifford DGF, Ruffer believe in the premise of late cycle market behaviour and have positioned the fund accordingly.
- However, there was limited protection within the Fund with protective strategies (holding in commodities, UK index-linked bonds and option protection) only marginally countering the loss within equities.
- As a results, Ruffer has amended allocations to better withstand unexpected volatility in the future.

Fund performance vs benchmark/target



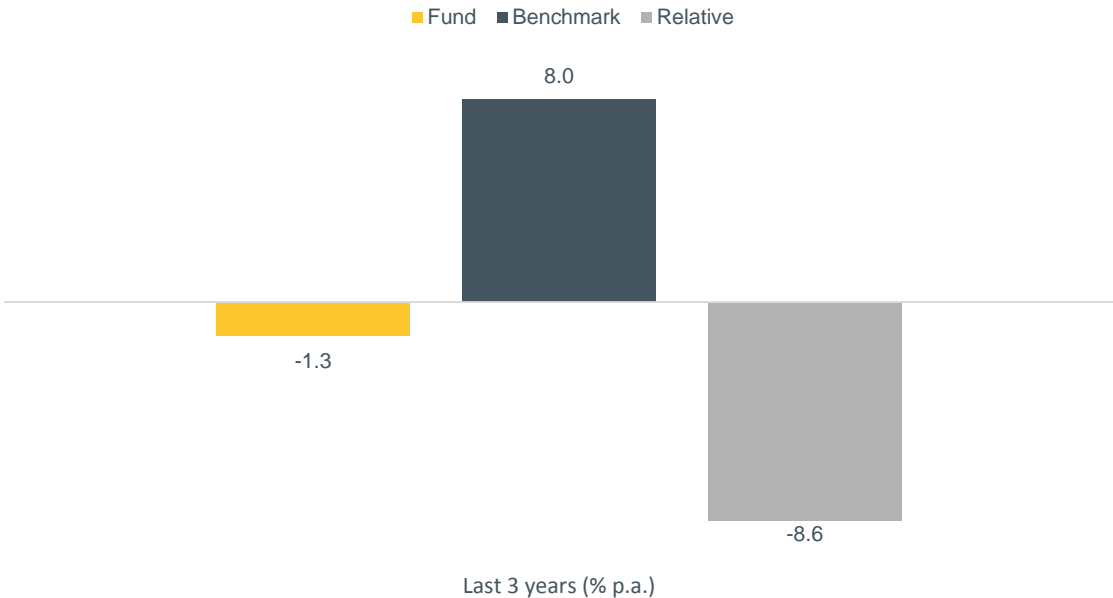
Historical Performance/Benchmark



Alinda Infrastructure

- The Fund is invested in two of Alinda's infrastructure funds, Alinda II and Alinda III fund. Target: Absolute return of 8.0% p.a.
- Alinda focuses on the mid-market unregulated sector seeking assets with strong historical cashflow, long contracts and downside protection.
- Remaining commitments as at 30 September 2018 (latest available date):  
II: \$3,762,532 (c84% invested)  
III: \$1,038,959 (c61% invested)
- At present the Alinda III fund is just over 62% invested across 6 businesses. We understand Alinda will look to execute on further deals within the next quarter to increase investment to 75%.
- Assessing short and medium term performance of private markets can be a challenge. The comments below are based on numbers available to us.
- The fund returned 2.6% over the last quarter of 2018, comfortably exceeding target.

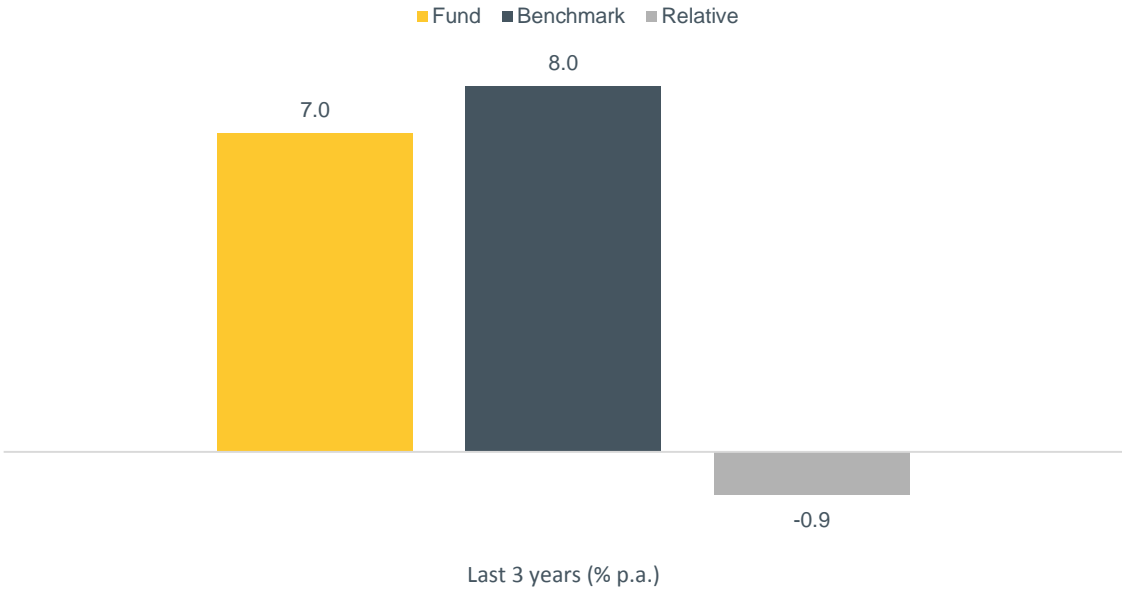
Fund performance vs benchmark/target



Capital Dynamics Infrastructure

- The Fund's holdings are currently solely held within Capital Dynamics Clean Energy and Infrastructure Fund. Target: Absolute return of 8.0% p.a.
- No investments were made over the quarter meaning the fund remains around 83% invested
- Note, infrastructure is a long term investment and short term volatility is to be expected as funds are gradually drawn down. Over the longer term however, we should expect more stable, predictable returns.
- The Capital Dynamics infrastructure fund returned 7.0% over the fourth quarter of 2018, significantly exceeding target by around 5.0%.

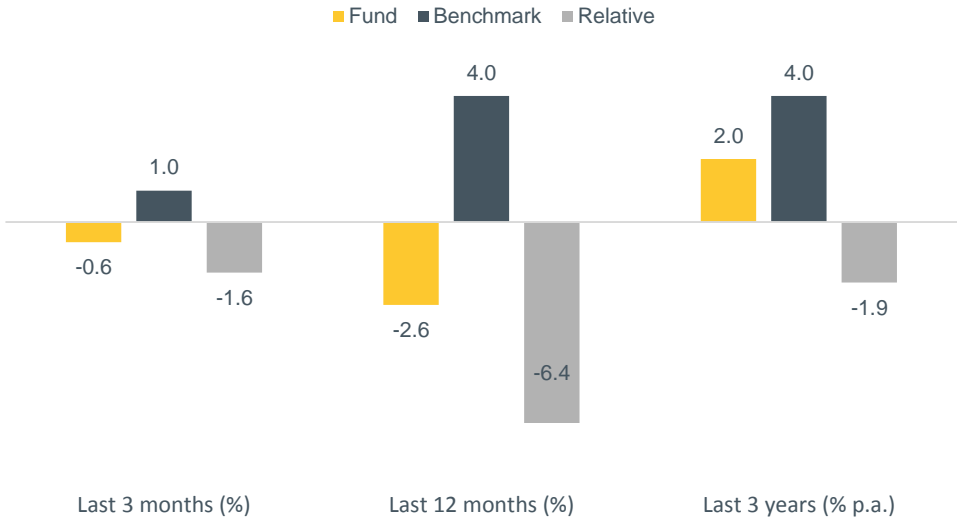
Fund performance vs benchmark/target



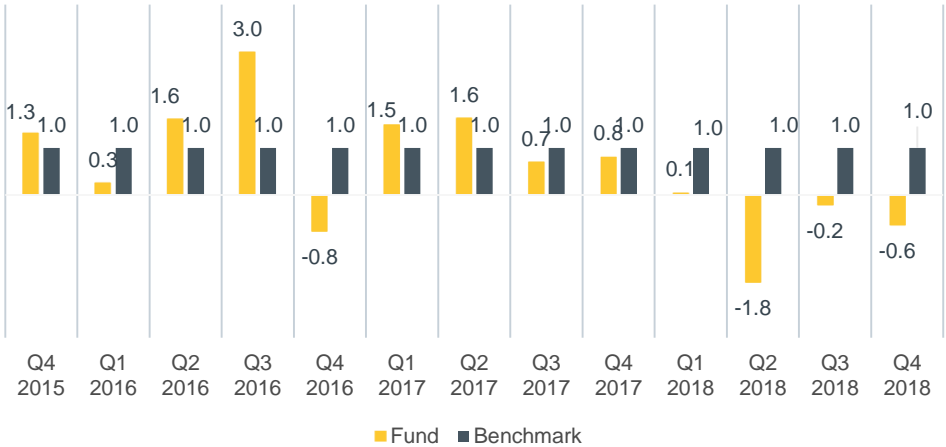
Henderson Total Return Bonds

- Janus Henderson's Total Return Bond (TRB) fund underperformed against the benchmark over quarter 4 2018.
- The fund delivered absolute performance of -0.6%, 1.6% below benchmark. This continued the trend of lagged performance versus the benchmark over the longer term with 3 year performance of 2.3% p.a. falling around 1.7% p.a. short of benchmark
- As part of the Fund's strategic changes, the TRB is targeted for divestment in quarter 1 2019

Fund performance vs benchmark/target



Historical Performance/Benchmark

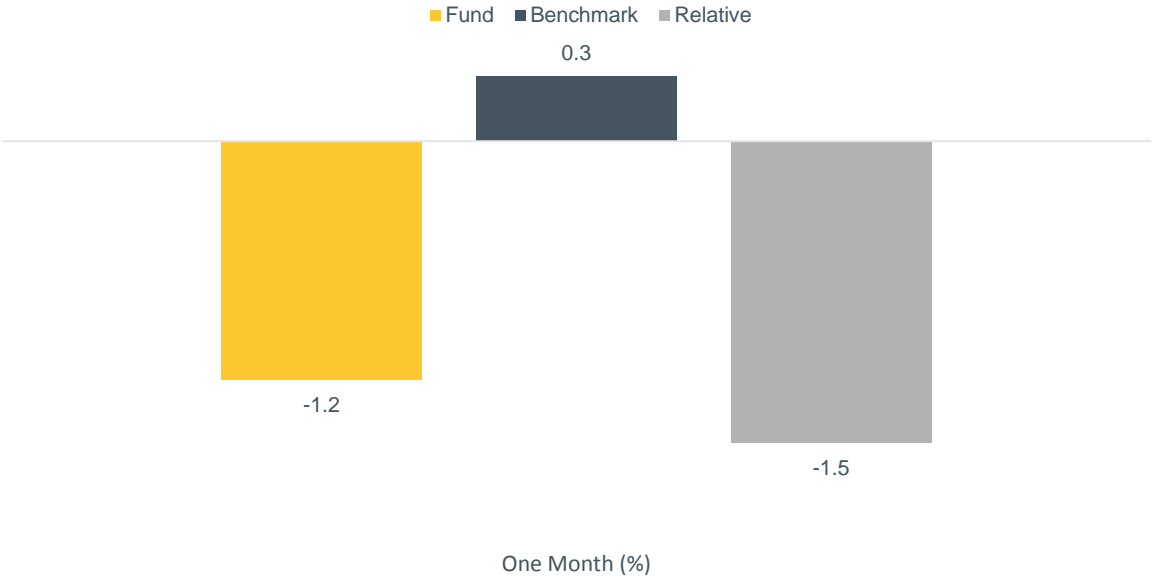




CQS Multi Credit

- CQS forms part of the London CIV's multi asset credit offering
- CQS represents a new allocation for the Fund and forms part of wider strategic changes.
- CQS's objective is to return LIBOR + 4.5% p.a. over a rolling 4 year period
- Over the period the fund underperformed delivering a absolute return of negative 1.2% against a target of 0.3%

Fund performance vs benchmark/target



# Appendix

Market Returns

GDP data confirmed US growth remained strong in Q3, though a little lower than Q2. Though still unspectacular, UK growth reached its fastest quarterly pace in almost 2 years while Eurozone growth slowed to 1.6% year-on-year. Japanese growth saw its sharpest quarterly contraction in several years and Chinese growth fell to 6.5% in Q3, its slowest quarterly pace in almost a decade.

Inflation Rates

Headline inflation fell in most regions but remains above core measures in the UK, Eurozone and Japan. Core and headline inflation are now broadly in line in the US.

Gilt yield

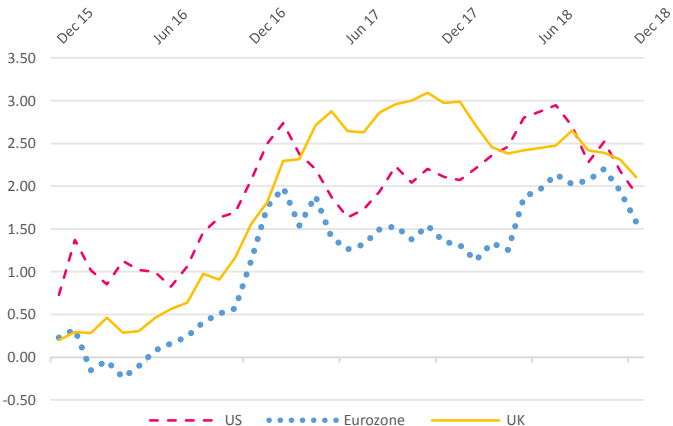
In-line with moves in global yields, both conventional and index-linked gilt yields fell over the quarter (chart 1), with index-linked yields falling more than equivalent conventional yields at medium maturities and by less at longer maturities.

Currency

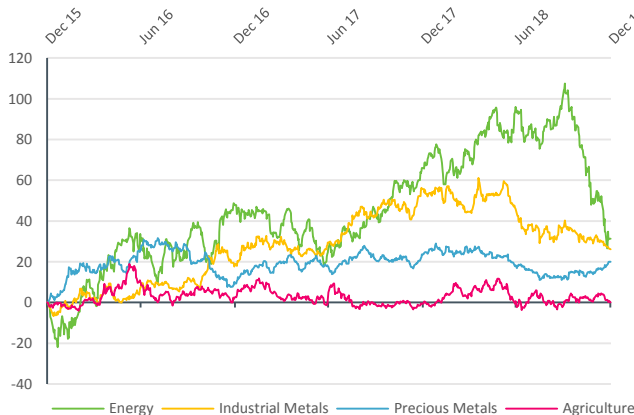
As uncertainty surrounding a Brexit deal continued, sterling drifted lower over the quarter but has remained fairly steady in trade weighted terms. The main feature of currency markets over the quarter has been a strengthening yen.

# Further Market Background

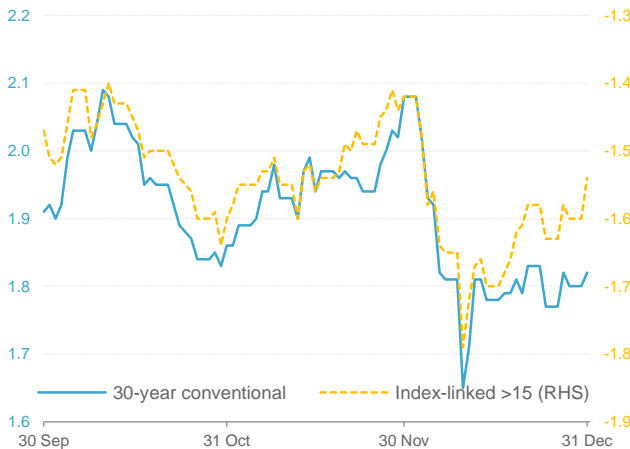
Annual CPI Inflation (% p.a.)



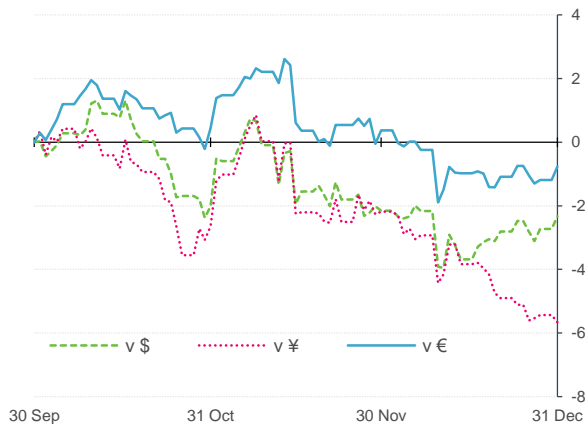
Commodity Prices



Gilt yields chart



Sterling trend chart (% change)



There is never a dull moment in the LGPS. Recent months has seen a number of significant developments including:

- Updates on the E&W Benefit Structure changes
- The issuance of pooling guidance
- A Supreme Court ruling
- Updated factors
- The long awaited Fair Deal consultation

## LGPS Current Issues

### E&W Benefit Structure: McClouds on the horizon

Following the Government's [statement](#) on Thursday 30 January, in the aftermath of the recent [McCloud judgement](#), there is now great uncertainty on the horizon about if, when and how benefits and member contributions will be changed in the LGPS. Changes which were to have taken effect from 1 April this year in England and Wales have now been put on hold, which in turn impacts the 2019 valuations; we are working with the LGA, SAB and other actuarial firms to manage this whole situation, and do get in touch regarding your own fund.

### Guidance missiles

The MHCLG has published its draft statutory guidance on asset pooling. The consultation is open for twelve weeks (closing on 28 March). It is an informal consultation, addressed to '*interested parties only*'. Noteworthy features include the guidance having statutory force and the need for the pool company to be regulated by the FCA. There are also a number of points relating to the relative roles of funds and pools. We anticipate this consultation, including how funds will be responding to it, forming an important part of funds' first quarter meeting agendas.

### Supreme challenge

The Supreme Court has ruled that the Palestine Solidarity Campaign has the right to challenge the Court of Appeal's May 2018 ruling. The ruling upheld the Government's right to restrict LGPS funds from divesting contrary to UK foreign and defence policy. This is the latest twist in this 'battle', which is due to wording included in the September 2016 [Guidance on preparing and maintaining an investment strategy statement](#) (with the wording in question subsequently amended in July 2017 due to the ongoing legal challenge). We will keep you updated on this, as the outcome has some potentially interesting implications.

### A Fair Deal for the LGPS

The Government recently published its much anticipated further [consultation](#) on the assimilation of its new Fair Deal policy into the LGPS. Significant changes are proposed that will impact LGPS outsourcings. The consultation also incorporates changes aimed at simplifying the transfer of assets and liabilities where scheme employers are involved in mergers or takeovers. The deadline for responses is 4 April 2019. We are currently preparing our own response and will share it with you this month.

### Happy New Factors

MHCLG heralded the New Year by issuing updated actuarial factors to funds in England and Wales (along with transitional guidance) in response to the reduction in the Government's SCAPE discount rate. GAD clearly had a busy Christmas, updating a [suite of factors](#) covering early retirement, non-Club transfers in, pension debits and credits and trivial commutation. Revised Club (CETV) factors are not yet available. Please contact your LGPS actuary or consultant should you wish to discuss the use of these new factors.

## Capital Dynamics (CD)



### Private Equity Funds

- CD Generation VII – Asian Private Equity
- CD European Buyout 2005
- CD European Co-Investment Fund L.P.
- CD Generation VII – European Mid-Market Buyout
- CD European Private Equity 2003
- CD US Private Equity 2003
- CD US Private Equity 2006
- CD Generation VII – US Private Equity
- CD Global Secondaries III
- CD S.C.A. – European Mid-Market Buyout
- CD S.C.A. – US Mid-Market Buyout
- CD S.C.A. –Mid-Market Direct III

### Infrastructure Funds


- CD S.C.A. – Clean Energy and Infrastructure
- CD US Solar Energy A (previously held - no residual value)

• As at 31 December 2018, the Fund had 8.6% of their overall holdings invested with Capital Dynamics, spread across Private Equity and Infrastructure 7.2% and 1.4% respectively.

• The Fund's allocation is spread across a range of underlying strategies. In total, the Fund is invested in 12 funds across Capital Dynamics Private Equity platform whilst Infrastructure is now held within a single strategy.

• These funds are set out here.

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	<b>Pensions Fund Sub-Committee</b> 27 February 2019
	<b>Report from the Chief Finance Officer</b>
<b>London CIV Update</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	1
<b>Background Papers:</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the committee on recent developments within the London CIV and the timescales attached to making investment decisions.

## 2.0 Recommendation(s)

- 2.1 The Committee is asked to note the recent developments with the London CIV.

## 3.0 Detail

- 3.1 The board of the London CIV have recently approved the appointment of Mike O'Donnell as permanent CEO and is expected to start on 4<sup>th</sup> March 2019. The LCIV will now commence the recruitment of a Chief Investment Officer.
- 3.2 As at 31 December 2018, the value of London's assets invested directly through CIV stood at £7.5 billion. The fourth quarter saw strong inflows totalling over £0.5 billion but LCIV AUM remained broadly static as a result of markets' disappointing performance during the period.

- 3.3 Brent has 69% (£579m) of its assets under management overseen by the LCIV. 46% (£385.5m) is a passive investment product in overseas and UK equities through Legal & General, 19.2% in two diversified growth funds, Ruffer 5.6% (£47.1m) and Baillie Gifford 13.6% (£114.4m), 1.7% (£14.5m) in Emerging Market equities through Janus Henderson and 2.1% (£17.8m) in the MAC fund managed by CQS.
- 3.4 The LCIV continues with its programme of opening sub funds and recruiting fund managers to operate these sub funds. In setting up the sub funds, LCIV will prioritise commonality of mandates among its members; quantum of assets under management; and conviction of funds in the manager. A summary of all sub funds currently available is shown in Appendix 1.
- 3.5 In Q4 2018, the London CIV introduced the Global Bond Fund managed by PIMCO as the second offering in the fixed income range. This followed the MAC fund as the other fund in the fixed income range which was launched in May 2018.
- 3.6 The LCIV is continuing to work on new fund launches. FCA submissions for the LCIV Infrastructure Fund and the LCIV Private Debt (managed by Ares) are currently being finalised. These funds are expected to launch in April 2019 or as soon as commitments have been received.
- 3.7 Following these fund launches, the CIV are launching a Global Equity Core equity fund and an Inflation Plus fund in the fixed income category. These are expected to launch in Q2 2019.
- 3.8 The LCIV has also recently released the pre-manger selection engagement pack for its property fund which is due to launch later this year. The CIV will be providing a further update on fund launches at the meeting.
- 3.9 The General meeting on 31 January 2019 considered the MTFS covering the period 2019/20 to 2023/24. LCIV is required to complete an Annual Budget and rolling 5 year MTFS for each Financial Year in accordance with the Shareholder Agreement.

#### **4.0 Financial Implications**

- 4.1 These are discussed throughout the report.

#### **5.0 Legal Implications**

- 5.1 Not applicable.

#### **6.0 Equality Implications**

- 6.1 Not applicable.

#### **7.0 Consultation with Ward Members and Stakeholders**



7.1 Not applicable.

## 8.0 Human Resources

8.1 Not applicable.

**Report sign off:**

**Conrad Hall**

Chief Finance Officer

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## LCIV Fund Range


Please see below a summary of the LCIV funds, including both those in which you are invested, and those you are not. All performance is reported Net of fees and charges with distributions reinvested. For performance periods of more than a year performance is annualised.

	Size	Capacity*	Current Quarter (%)	1 Year (%)	Since Inception p.a. (%)	Inception Date	No. of Investors
<b>UK Equity</b>							
<b>LCIV UK Equity Fund</b>	<b>£467m</b>	<b>£1,000m</b>	<b>(10.69)</b>	<b>(9.74)</b>	<b>(4.87)</b>	<b>18/05/2017</b>	<b>3</b>
Benchmark: FTSE All Share Index			(10.25)	(9.47)	(2.61)		
<b>Performance Against Benchmark</b>			<b>(0.44)</b>	<b>(0.27)</b>	<b>(2.26)</b>		
<b>Global Equity</b>							
<b>LCIV Global Equity Alpha Fund</b>	<b>£106m</b>	<b>Unlimited</b>	<b>(11.54)</b>	<b>(3.13)</b>	<b>12.08</b>	<b>02/12/2015</b>	<b>1</b>
Benchmark: MSCI World Index Total Return (Net) in GBP			(11.35)	(3.04)	11.11		
<b>Performance Against Benchmark</b>			<b>(0.19)</b>	<b>(0.09)</b>	<b>0.97</b>		
<b>LCIV Global Alpha Growth Fund</b>	<b>£2,092m</b>	<b>See note below</b>	<b>(12.46)</b>	<b>(4.15)</b>	<b>15.39</b>	<b>11/04/2016</b>	<b>12</b>
Benchmark: MSCI All Country World Gross Index			(10.63)	(3.37)	12.66		
<b>Performance Against Benchmark</b>			<b>(1.83)</b>	<b>(0.78)</b>	<b>2.73</b>		
<b>LCIV Global Equity Fund</b>	<b>£557m</b>	<b>Unlimited</b>	<b>(9.58)</b>	<b>0.35</b>	<b>3.59</b>	<b>22/05/2017</b>	<b>3</b>
Benchmark: MSCI All Country World Index Total Return (Gross)			(10.57)	(3.27)	2.88		
<b>Performance Against Benchmark</b>			<b>0.99</b>	<b>3.62</b>	<b>0.71</b>		
<b>LCIV Global Equity Focus Fund</b>	<b>£700m</b>	<b>£1,500m</b>	<b>(7.96)</b>	<b>4.29</b>	<b>5.50</b>	<b>17/07/2017</b>	<b>5</b>
Benchmark: MSCI World Index Total Return (Net) in GBP			(11.35)	(3.04)	1.28		
<b>Performance Against Benchmark</b>			<b>3.39</b>	<b>7.33</b>	<b>4.22</b>		
<b>LCIV Equity Income Fund</b>	<b>£222m</b>	<b>£750m</b>	<b>(5.60)</b>	<b>(2.96)</b>	<b>(3.36)</b>	<b>08/11/2017</b>	<b>2</b>
Benchmark: MSCI World Index Total Return (Net) in GBP			(11.35)	(3.04)	(3.02)		
<b>Performance Against Benchmark</b>			<b>5.75</b>	<b>0.08</b>	<b>(0.34)</b>		
<b>LCIV Emerging Market Equity Fund</b>	<b>£276m</b>	<b>£1,000m</b>	<b>(3.38)</b>	<b>n/a</b>	<b>(12.56)</b>	<b>11/01/2018</b>	<b>6</b>
Benchmark: MSCI Emerging Market Index (TR) Net			(5.26)	n/a	(12.17)		
<b>Performance Against Benchmark</b>			<b>1.88</b>	<b>n/a</b>	<b>(0.39)</b>		
<b>LCIV Sustainable Equity Fund</b>	<b>£249m</b>	<b>£1,000m</b>	<b>(12.01)</b>	<b>n/a</b>	<b>(0.58)</b>	<b>18/04/2018</b>	<b>2</b>
Benchmark: MSCI World Index Total Return (Net) in GBP			(11.35)	n/a	0.48		
<b>Performance Against Benchmark</b>			<b>(0.66)</b>	<b>n/a</b>	<b>(1.06)</b>		

## LCIV Fund Range (continued)

	Size	Capacity*	Current Quarter (%)	1 Year (%)	Since Inception p.a. (%)	Inception Date	No. of Investors
<b>Multi Asset</b>							
LCIV Global Total Return Fund	£308m	Unlimited	(2.02)	(1.41)	2.81	17/06/2016	5
LCIV Diversified Growth Fund	£627m	See note below	(4.59)	(5.07)	4.49	15/02/2016	8
LCIV Absolute Return Fund	£854m	£1,500m	(5.40)	(6.05)	2.43	21/06/2016	10
LCIV Real Return Fund	£182m	Unlimited	(1.65)	0.10	1.97	16/12/2016	2
<b>Fixed Income</b>							
LCIV MAC Fund	£639m	Unlimited	(1.95)	n/a	(0.63)	31/05/2018	9
LCIV Global Bond Fund	£167m	Unlimited	n/a	n/a	0.38	30/11/2018	2
Benchmark: Barclays Aggregate – Credit Index Hedged (GBP) Index			n/a	n/a	1.00		
Performance Against Benchmark			n/a	n/a	(0.62)		
<b>Total LCIV Assets Under Management</b>	<b>£7,447m</b>						

\*Total fund capacity as at 31 December 2018. Capacities may change, for details on remaining current capacity available for further investment please contact the Client Service Team at [clientservice@londonciv.org.uk](mailto:clientservice@londonciv.org.uk).

	<b>Pensions Fund Sub-Committee</b> 27 February 2019
	<b>Report from the Chief Finance Officer</b>
<b>MHCLG Statutory guidance on asset pooling in the Local Government Pension Scheme Consultation</b>	

<b>Wards Affected:</b>	ALL
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	1
<b>Background Papers:</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

## 1.0 Purpose of the Report

- 1.1 The Ministry of Housing, Communities and Local Government (MHCLG) have launched an informal consultation on draft new statutory guidance on asset pooling. This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets and builds on previous Ministerial communications and guidance on investment strategies.
- 1.2 They are now inviting views on the draft new statutory guidance. The closing date for responses is 28 March 2019.

## 2.0 Recommendation(s)

- 2.1 To note the fundamental change resulting from the draft new guidance is that the Brent Pension Fund will no longer be responsible for the selection and dismissal of managers. Instead this responsibility will now be carried out by the pool. The committee is asked to define their response to this development.
- 2.2 To note the report and the draft statutory guidance and that the Chief Finance Officer will prepare a formal response to the consultation on behalf of the Brent Pension Fund before the consultation closes, in consultation with the Chair of the Pension Fund Sub-Committee.

### **3.0 Detail**

- 3.1 On 3 January 2019 the MCHLG issued new draft statutory guidance on Local Government Pension Scheme (LGPS) asset pooling. This new guidance aims to support further progress in the reform of LGPS investment management which began in England and Wales in 2015. The draft statutory guidance is provided in appendix 1.
- 3.2 A summary of key points are as follows:
- 3.3 Pool members must appoint a pool company or companies to implement their investment strategies in order to maximise the benefits of scale. This includes:
- the selection, appointment, dismissal of investment managers.
  - the management of internally managed investments.
  - the provision and management of pool vehicles including pool funds
- 3.4 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account.
- 3.5 Pool members should take account of the benefits across the pool and across the scheme as a whole and should not seek to simply minimise costs in the short term.
- 3.6 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period. Pool governance bodies should seek to minimise the transition costs to pool members.
- 3.7 Some existing investments may be retained by pool members on a temporary basis, if the cost of moving the existing investments exceeds the benefits of doing so.
- 3.8 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.
- 3.9 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. These assets should not normally exceed 5% of the value of the pool member's assets.
- 3.10 Whilst there is no target for infrastructure investment for pool members or pools, pool members are expected to set an ambition on investment in this area.

- 3.11 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

#### **4.0 Initial observations**

- 4.1 The previous guidance on asset pooling was issued in 2015 and since then eight asset pools are now operational and new guidance is required in light of experience and in response to the issues that have arisen so far.
- 4.2 Following the period of consultation the guidance will be statutory and administering authorities will be required to act in accordance with it.
- 4.3 69% of the Brent Pension Fund's investments are invested with the LCIV as at 31 December 2018. Going forward, the Fund's investment strategy has stated that the fund will be investing with the LCIV where suitable investment opportunities are available. On that basis the draft statutory guidance is welcome as it is clearly linked to the Fund's investment strategy and investment beliefs that were agreed in November 2018.
- 4.4 Some of the existing investments in the Fund are however long-term investments and will therefore be part of the Fund's portfolio for many years. For example, the fund has £25m of undrawn capital commitments with Capital Dynamics and Allinda and these investments will take many years to reach their end date. However, as part of the new investment strategy, no new commitments will be made to these fund managers and therefore the Fund is compliant with the draft statutory guidance.
- 4.5 We consider that strategic asset allocation remaining the responsibility of administering authorities as a positive statement.
- 4.6 The guidance encourages investment in infrastructure as a result of the pool being able to provide the scale, capacity and capability needed for cost effective investment in order to generate secure long term returns. This statement links well to the current investment strategy of the Fund (with a 15% target asset allocation) as it considers the infrastructure investment the LCIV will have available for investment in April 2019.
- 4.7 Overall the draft guidance is as a whole positive and provides clarity in respect of a number of important issues in relation to asset pooling within the LGPS.

#### **5.0 Legal Implications**

- 5.1 Not applicable

#### **6.0 Equality Implications**

- 6.1 Not applicable

**7.0 Consultation with Ward Members and Stakeholders**

7.1 Not applicable

**8.0 Human Resources**

8.1 Not applicable

**Report sign off:**

**Conrad Hall**

Chief Finance Officer



## **Local Government Pension Scheme**

### **Statutory guidance on asset pooling**

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## **Foreword**

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

## 1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

## 2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

**‘Pool’** the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

**‘Pool member’** an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

**‘Pool governance body’** the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

**‘Pool company’** the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

**‘Pool fund’** a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

**‘Pool vehicle’** an investment vehicle (including pool funds) made available to pool members by a regulated pool company

**‘Pooled asset’** an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

**‘Retained asset’** an existing investment retained by a pool member during the transition period

**‘Local asset’** a new investment by a pool member which is not a pooled asset

## 3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

#### *Regular review of services and procurement*

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks ([www.nationallgpsframeworks.org](http://www.nationallgpsframeworks.org)) where appropriate.

#### *Regular review of active and passive management*

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

## **4 Governance**

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

#### *Strategic and tactical asset allocation*

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

## **5 Transition of assets to the pool**

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

#### *Temporary retention of existing assets*

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

#### *Regular review of retained assets*

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

## **6 Making new investments outside the pool**

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

## 7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

*Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:*

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

*Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.*

*Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.*

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

## 8 Reporting



8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
- asset transition during the reporting year
- transition plans for local assets
- pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
- ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

*For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.*

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

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