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Pension Board

Wednesday 8 November 2023 at 6.00 pm

This meeting will be held as an online virtual meeting

Membership:

Members	Representing
David Ewart	Independent Chair
Councillor Members	
Councillor Akram	Brent Employer Representative
Councillor Kabir	Brent Employer Representative
Co-opted Members	
Bola George	Member Representative (Unison)
Sunil Gandhi	Employer Member (Non-Brent Council)
Chris Bala	Pension Scheme Members Representative
Robert Wheeler	Member Representative (GMB Trade Union)

For further information contact: Adam Woods, Governance Officer
Email:Adam.Woods@brent.gov.uk

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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 of trade union).

(b) The interests a 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

Item Page

1 Apologies for Absence

2 Declarations of Interests

Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.

3 Minutes of the Previous Meeting 1 - 12

To approve the minutes of the previous meeting held on Monday 24 July 2023 as a correct record.

4 Matters Arising (If Any)

To consider any matters arising from the minutes of the previous meeting.

Pension Board Reports

5 Pensions Administration Update 13 - 56

This report updates the Pension Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

6 Local Government Pension Scheme Update 57 - 172

This report updates the Board on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

7 Members' Learning and Development 173 - 190

This report informs members of the provision of a Local Government Pensions Scheme (LGPS) focused online pensions learning facility for officers, Pensions Sub-Committee and Pension Board members.

8 Risk Register 191 - 210

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

Reports Referred from the Brent Pension Fund Sub-Committee

9 Investment Monitoring Report - Quarter 2 2023 211 - 226

To receive the Brent Pension Fund Quarter 2 2023 Investment Monitoring Report.

10 Brent Pension Fund: Annual Report and Accounts 2022/23 227 - 432

This report provides an update on the Pension Fund Annual Report and Accounts for the year ended 31 March 2023 and the draft Investment Strategy Statement (ISS).

11 DLUHC Consultation on LGPS Investments 433 - 448

This report relates to the consultation launched by the Department for Levelling Up, Housing and Communities (DLUHC) regarding the investments of the Local Government Pension Scheme (LGPS). The report covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

12 Local Authority Pension Fund Forum Update 449 - 470

This report updates the Board on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund.

13 Presentation from PIRC Investment Benchmarking - Performance to March 2023 471 - 484

To receive an update from Pensions & Investment Research Consultants regarding the Fund's performance as of March 2023.

14 Exclusion of the Press and Public

The following item is not for publication as it relates to the following category of exempt information set out below, as specified under Part 1 Schedule 12A of the Local Government Act 1972:

Agenda Item 11: DLUHC Consultation on LGPS Investments – Appendix 1

This appendix has been classified as exempt under Paragraph 3 of Part 1 Schedule 12A of the Local

Government Act 1972, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)”

Members are also asked to consider the exclusion of the press and public for the remainder of the meeting as the remaining report to be considered contains the following category of exempt information as specified in Paragraph 3, Part 1 Schedule 12A of the Local Government Act 1972, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)".

15 London CIV Update 485 - 602

This report updates the Board on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV).

16 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 their representative before the meeting in accordance with Standing Order 60.

Date of the next meeting: Monday 25 March 2024

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Brent

MINUTES OF THE PENSION BOARD
Held as an online meeting on Monday 24 July 2023 at 6.00 pm

PRESENT (in remote attendance): Mr David Ewart (Chair), Councillor Kabir, Councillor Akram, Sunil Gandhi (Employer Member – Non Brent Council), Chris Bala (Pension Scheme Member representative), Bola George (Member representative - Unison) and Robert Wheeler (Member representative - GMB).

ALSO PRESENT (in remote attendance): Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources & Reform) & John Crowhurst (Local Pensions Partnership Administration).

1. **Apologies for Absence**

No apologies were received.

2. **Declarations of Interests**

The Chair, David Ewart, declared a personal interest as a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) and as a member of another local authority pension fund.

3. **Minutes of the Previous Meeting**

The minutes of the previous meeting held on Wednesday 22 March 2023 were agreed as an accurate record.

4. **Matters Arising (if any)**

A correction regarding the previous minutes was raised, in which members were advised that the dates for future meetings were 8 November 2023 and 25 March 2024, a meeting was not being held on 25 February 2024.

5. **Pensions Administration Update**

Sawan Shah (Head of Pensions, Brent Council) introduced the report, which updated the Pension Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund. The Board were informed that the report was divided into three sections, 'Pension Administration Performance Update', 'Annual Benefit Statements', and 'Regulatory Projects', which would be addressed in turn. It was explained that the data covered January to March 2023 and therefore was slightly out of date at the time of the meeting. In addition to the Pension Board meetings, members noted that officers and LPP held monthly meetings to review performance and address any issues.

The Board were advised that performance during the quarter, as stated in the previous Pension Board meeting in March, was challenging due to the UPM migration. However, performance was highlighted as improving and members were reminded of the temporary SLA's agreed due to the UPM migration. In concluding

their introduction, Sawan Shah detailed the increase in complaints spanning February to May 2023, with 33 new complaints received since the last Pension Board meeting. Out of the 33 cases, 17 related to delays, 15 related to general service and 1 related to payment. It was acknowledged that the number of complaints were high compared to the historical average, which were mainly due to the challenges in performance following the system migration.

Following the introduction of the report, the Chair welcomed John Crowhurst from Local Pensions Partnership Administration (LPPA), the Council's administration service provider, who provided a verbal update regarding recent pensions administration performance, with the update summarised below:

- The average percentage of cases processed on time was 97% during May, 97% during June and 96% during July. The performance for May to July was above the contractual SLA target of 95% and was largely attributed to clearing historical spikes in workload arising from the UPM migration, with performance now expected to stay around the 95% target.

- The Board were informed that the percentage of retirements active cases currently being processed on time was 90%. LPPA recognised that further improvements could be made in this area, but it was highlighted that the number of retirements active cases were comparatively low meaning that a small drop in performance greatly impacted performance percentages.

- 80% of bereavement cases were currently being processed on time, with cases that included a beneficiary being prioritised.

- The Fund had a significant increase in its Helpdesk wait times with performance of 10 minutes 29 seconds in January, 10 minutes 4 seconds in February and 6 minutes 19 seconds in March, all of which were above the target time of 4 minutes. However, since implementing a new call handling system in March which improved call routing and providing additional training to staff, call times had decreased in recent months assisted by a reduction in call volumes compared to earlier in the year.

- Regarding The Pension Regulator (TPR) data scores, as at 31 March 2023, common data had a total accuracy rate of 96.5% whereas conditional data had total accuracy rate of 89.6%. In addition to quarterly updates, a 12 month rolling trend was being monitored to analyse how data scores moved. The Board were also informed that LPPA were developing a data strategy regarding data controls and the management of data which would be provided to the Board.

After the verbal update, the Chair invited questions from Board Members, with questions and responses summarised below:

- In highlighting the poor performance during quarter four in processing transfers out and refund cases, members were advised that performance during quarter one was 96% for refunds and 87% for transfers out.

- Regarding the expectations of future performance, the Board were informed that performance was now more stable, with mitigations implemented including

initiatives to address staff turnover, training and development. In summary, confidence was expressed that performance should not dip significantly below contractual SLA targets.

- In response to a question relating to the increase in complaints, the Board heard that the majority of complaints were largely due to delays resulting from the spikes in workload that occurred during the UPM migration. The Board were reassured that the complaints team were analysing complaints and the improvements in performance were hoped to reduce the number of complaints being received.

In turning the Board's attention to section 4 of the report, relating to annual benefit statements (ABS), Sawan Shah explained that scheme employers were required to submit an end of year return in order to be able to produce an ABS. Once returns had been submitted, queries needed to be resolved by 31 August each year. The Board were informed that both the Fund and LPPA monitored submissions and outstanding enquiries, with the latest update showing that 10 employers had not submitted their end of year return. While the number of outstanding returns were higher than the Fund would ideally want, it was a significant improvement from last year and the Fund had been in contact with the remaining employers and were confident that the statements would be submitted within the deadline.

In thanking Sawan Shah for the update, the Chair welcomed questions from the Board, with questions and responses summarised below:

- In response to a query regarding the attendance of the year end training sessions, members were informed that the exact attendance numbers could be provided after the meeting, but the Board were reassured that the largest payroll providers attended.

- To notify employers where payroll providers had not yet submitted a return, senior staff members in the relevant organisations had been contacted.

- In providing the updated figures regarding the ABS submissions, the Board noted that the outstanding employers were generally the smaller employers, with 98% of statements issued to deferred members and 80% of statements issued to active members as of 21 July. It was also explained that LPPA had launched a facility that enabled employers to submit monthly returns which was said to improve the flow of data between LPPA and employers. Whilst the facility was still new, LPPA received 43% of expected files in April, 39% in May and 32% in June, which was said to be above average compared to other pension funds.

- The Board heard that the move from a yearly return to monthly returns would be a positive step for the Fund, as issues could be resolved faster and more proactively as communication between employers and the Fund would be more regular. However, it was stated that the number of employers submitting monthly returns needed to increase.

As there were no more contributions from the Board regarding ABS's, the Chair thanked Sawan Shah and John Crowhurst for the update and asked that members

were updated at the end of August on the number of statements issued ahead of the Board meeting in November.

In moving to the third and final topic of the agenda item, concerning regulatory projects, Sawan Shah advised the Board that the pension's dashboard had been paused until further notice by the Department of Work and Pensions to allow for a more achievable timeline for the platform to be established. Furthermore, the regulations arising from the McCloud case were expected to come into force on 1 October 2023, with LPPA continuing to work alongside the UPM system provider Civica to develop and implement functionality for the McCloud remedy throughout 2023. LPPA had also issued emails to employers in relation to data requirements for the McCloud exercise.

In providing a verbal update on the progress regarding the McCloud remedy, John Crowhurst informed members that functionality testing was currently on track and employers had been surveyed to confirm their information. Whilst some responses had been received, LPPA were arranging follow up communications imminently. Concerning LPPA's preparedness for the enforcement of the regulations, further training on McCloud was being prepared and the Fund were regularly updated in monthly meetings.

As there were no further questions from Members, the Chair thanked John Crowhurst for the update, and it was **RESOLVED** that the report be noted.

6. **Chair's Annual Report**

The Chair presented a report that reviewed the work carried out by the Board throughout the last year. To begin, the Chair thanked members and officers for their work and commended the following achievements of the Board during 2022/23:

- The excellent response of officers and partners to the demands of the Triennial Valuation, including the encouraging results.

- The level of service provided, and quality of the data maintained on the funds membership, despite the disruption caused by upgrading the administration system.

- The issuing of annual benefit statements to all members before the statutory deadline of 31st August 2022.

The Chair advised that the above achievements had been repeated in error within section 3.3 of the report, covering issues that required focus looking forward. As a result the Board was advised that whilst 2022/23 had been recognised as a good year, there were a number of issues identified as needing to be addressed looking forward, which were recognised as follows:

- The level of service being provided to the members of the fund which, although generally within target, still had some areas that required improvement.

- The quality of the data held which, although greatly improved, still required additional work.

- Although the level of funding for the 2022 Fund Valuation showed an improved level of funding, standing at 87% which was up from 78% in 2019 and 55% in 2016, this was still considered low.

In thanking the Chair and officers for their work during a challenging year, the Board **RESOLVED** to note the report.

7. **Communications Policy**

George Patsalides (Finance Analyst, Brent Council) presented the report, which provided the Board with the revised Communications Policy for the Brent Pension Fund. It was explained that the Communications Policy was designed to ensure that all key stakeholders were kept informed of developments within the Pension Fund and through the appropriate medium. As the Policy was last updated in 2019, it was deemed an opportune time to update the statement, with officers considering any relevant changes within the LGPS in addition to providing further clarification on employer responsibilities. The Board noted that the full Policy was attached in Appendix 1 of the report, with the following changes to the document:

- Updates had been made throughout the document to account for the move from Altair to Civica's UPM and LPPA's PensionPoint self-service.

- An update had been made to include Section 7, which listed relevant staff contact details for members to direct queries and receive support.

The Chair then welcomed contributions from members, with the subsequent questions and comments raised:

- In response to a question regarding the responsibility for implementing the Communications Policy, the Board were advised that the main responsibility fell within the Finance team.

- Members highlighted that some sections of the document still referenced the old Altair system, with officers reassuring the Board that required corrections would be made.

With no additional comments from members, the Board **RESOLVED** to note the updated Communications Policy outlined in Appendix 1 of the report.

8. **Pensions Administration Strategy**

George Patsalides (Finance Analyst, Brent Council) introduced a report that detailed the revised Pensions Administration Strategy for the Brent Pension Fund. The aim of the strategy was to ensure that both the Fund and its employers were fully aware of their responsibilities under the Scheme and to set acceptable levels of performance. The Strategy was last updated in 2021 and thus it was necessary to review the document to ensure it was best placed to achieve its aims. As the delivery of the administration service relied on joint working between a number of stakeholders, the Board heard that it was imperative that the Fund consulted with stakeholders to promote good working relationships, improve efficiency and ensure agreed

standards. Consequently, consultation would commence following the Board meeting, in which a draft strategy would be sent to employers and presented at the employer forum in November 2023 for feedback. In concluding their introduction, George Patsalides outlined the key changes to the Strategy:

- An update had been made to Section 3.3, Administering Authority Functions, which outlined the new KPIs and timescales to which tasks must be completed.

- Updates had been made throughout the document to account for the move from Altair to Civica's UPM and LPPA's PensionPoint self-service.

- An update had been made to Section 4, Staff Charging Schedule, to reflect inflation as well as updated costing measures.

Following the introduction of the report, the Chair opened the discussion to Board members, with questions and responses summarised below:

- In providing the context as to why the Fund had not levied charges against employers for non-compliance, the Board were advised, as explained within the report, that the preferred approach was to work with and support employers through additional training and engagement and the levying of fees therefore regraded as a last resort. It was, however, retained as a measures that could be used within the Strategy and formed part of The Pension Regulator's best practice guidance.

- Regarding consultation on the Strategy, the Board noted that the main stakeholders were employers, who were being consulted through a number of methods, with the other stakeholders largely being members of the Pension Board.

With no further contributions from members, the Board **RESOLVED** to note the revised Pension Administration Strategy and planned consultation with employers.

9. **Risk Register**

Carlito Rendora (Finance Analyst, Brent Council) presented the report, which updated the Board on the Risk Register, attached as Appendix 1 of the report, for the Brent Pension Fund Pensions Administration Service. The Board were advised that no new key risks were added to the Register and updates to the document were detailed in paragraph 3.6 of the report, which included renaming the impact of covid-19 to the impact of future pandemics and updating review dates.

In thanking Carlito Rendora for the overview, the Chair welcomed questions and contributions from Board members. Contributions, questions, and responses were as follows:

- The Board commented that the risks to the Fund were comparatively lower than corporate risks to the Council, with the highest risk relating to annual benefit statements.

- Regarding the impact that strikes would have on the Fund, the Board were advised that cash flow may be impacted in the short term, however, the long-term impact would be minimal. Furthermore, it was explained that strike action would not count towards an individuals pension contributions unless it was bought back, which was optional. Potential impacts on an individual's pension could be explored using LPPA's online pension calculator.

- In response to a query concerning how employers managed data security, members were informed that employers had their own risk registers regarding data security. However, the Fund could consider asking employers to evidence their data security requirements.

- Regarding potential risks arising from Artificial Intelligence (AI), the Board heard that the private sector often led on technological innovations such as AI, although the Fund and LPPA were planning on implementing further automation to assist with common queries from Scheme members and to direct customers to self-help guidance.

- In response to a question on the impact that pension opt-outs had on the Fund, it was explained that officers regularly undertook cashflow modelling to review the impact of changes within the membership. Officers had noticed that since the cost-of-living crisis there had been an increase in opt-outs, however, the number of opt-outs were relatively small and the impact was not considered as significant.

- Officers noted the comments by the Board regarding references to the old Altair system.

- In response to a query concerning the necessity of including the risk relating to future pandemics and the suggestion of including risks relating to climate change, members were advised that the impacts of covid-19 were still ongoing and thus it was recommended to include the risk relating to pandemics. Officers also noted the suggestion on including risks relating to climate change.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the update including the key changes set out in section 3.5 of the report.

10. **Local Government Pension Scheme Update**

Sawan Shah introduced a report that provided an update on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

In considering the report the Board noted the following updates:

- On 30 March 2023, the Department of Work and Pensions (DWP) published its 2023 review of the State Pension age. The State Pension age was currently age 66 and was planned to rise to age 67 between 2026 and 2028, before rising again to age 68 between 2044 and 2046.

- On 29 March 2023, the Scheme Advisory Board (SAB) published a report on the gender pensions gap in the LGPS from the Government's Actuary department. The report provided an initial overview of the gender pensions gap in the LGPS, based on data from the 2020 scheme valuation. The report showed that the difference between men and women as to their accrued benefits in the Local Government Pension Scheme was 34.7% for benefits in the reformed CARE scheme and 46.4% for benefits in the legacy final salary scheme (in favour of men). However, the Board noted that the findings needed to be interpreted with caution and further work would be undertaken to understand the data and investigate causes, in addition to considering possible next steps.

- The Department for Levelling Up, Housing and Communities (DLUHC) published its consultation on proposals relating to the investments of the LGPS on 11 July 2023. This consultation sought views on the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The Board were informed that a summary of the proposals was included in Appendix 1 of the report and the consultation would close on 2 October 2023.

Following the update, members were invited to raise any comments or questions, with questions and responses summarised below:

- The Board requested that a report regarding the consultation on the proposals relating to investments be presented at the next Board meeting on 8 November.

- Regarding the impact that the increase of the state pension age would have on the Fund, members were informed that the Pension Scheme was linked to the state pension age, meaning that an increase in the state pension age increased the date on which members were entitled to an unreduced pension.

- In response to a request to annually update the Board on the gender pension gap, the Board were informed that officers could explore the obtainability of the data and if accessible then updates could be provided. If the data could not be obtained, members would be updated when possible, using data from the Scheme Advisory Board.

- In light of the Government proposal to require a 10% allocation in UK private equity, the Board heard that the Fund were currently running down their allocations in private equity and no new allocations had been made in recent years. If the proposals were to be enacted, the Fund would have to re-evaluate its investment strategy. Moreover, it was explained that the consultation showed that the Government wanted UK investments to drive domestic growth, which could pose a challenge to the Fund as UK investments would need to be identified that met the Fund's risk/return levels.

In thanking Sawan Shah for the update, the Board **RESOLVED** to note the recent developments in the LGPS, as detailed within the report.

11. **Investment Monitoring Report – Quarter 1 2023**

Before moving on to remaining items on the agenda the Chair reminded Board members that agenda items 11, 12, 13, 14, and 17 were reports referred to the Pension Board for information following their consideration at the Brent Pension Fund Sub-Committee.

The Board received an update on the Brent Pension Fund Quarter 1 Investment Monitoring Report, which reviewed the Fund's performance over the first quarter of 2023. Members noted that the key headline was that the value of the Fund increased by 2.7% over the quarter, largely due to the strong performance in global equities. Performance over a 3 year period was also said to be positive, outperforming the benchmark and growing 8.7%.

In noting that the report had been subject to detailed review at the Brent Pension Fund Sub Committee on 27 June 2023 and covered monitoring performance up to 31 March 2023, the Board **RESOLVED** to note the Quarter 1 Investment Monitoring Report without any further detailed comment.

12. **Investment Strategy Update**

The Board received a report which provided an update on the steps taken to transition to the investment strategy agreed at the Brent Pension Fund Sub-Committee meeting on 20 February 2023 In response to a query regarding targets to reduce carbon emissions, the Board were advised that the Fund was undertaking a market review of its main global equity holding to determine whether the Fund could continue to access global equity markets whilst also achieving a reduction in its carbon emissions. A workshop with Sub-Committee members was planned to develop a framework with the view of selecting one or two funds to replace the current LGIM global equity mandate.

With no further issues raised it was **RESOLVED** to note the update as presented to the Brent Pension Fund Sub Committee on 27 June 2023.

13. **Draft Pension Fund Year End Accounts 2022/23**

The Board received a report that presented the draft Pension Fund Annual Accounts for the year ended 31 March 2023. The Board were informed that total contributions received from employers and employees was £68m for the year, an increase on the previous year's £64m. Moreover, total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £48m, an increase on the previous year's £47m. Overall, the pension fund was in a positive cash-flow position because its contributions exceed its outgoings to members. To conclude the update, members were advised that the accounts had not been formally published, with auditors currently undertaking fieldwork. Although no issues had arisen at the time of meeting from the fieldwork, the Board would be informed once the audit had been completed, with the approval of the accounts resting with the Council's Audit and Standards Committee.

Following the update, members were given the opportunity to raise any comments or concerns, with questions and responses summarised below:

- In response to a question concerning whether there had been an increase in requests for early drawdown and what impact this had on the Fund, members

heard that an increase in early retirements occurred at the start of the pandemic, but the cost-of-living crisis was now likely delaying retirement for many. The Board also noted that upon early retirement yearly payments were reduced to reflect the payments occurring over a longer period of time. Whilst recognising that a large increase in early retirements would negatively impact the Fund's cashflow position, officers regularly monitored cashflow and the likely impacts of numerous scenarios. Thus, the current impact of early drawdowns was not significant.

In thanking the efforts of the Finance team for ensuring that the Fund's accounts were successfully submitted for audit on time, the Board **RESOLVED** to note the report.

14. **Local Authority Pension Fund Forum Engagement Update**

The Board received an update on engagement activity undertaken by the Local Authority Pension Fund Forum (LAPFF) on behalf of the Fund. It was explained that the Fund's commitment with LAPFF and its work demonstrated commitment to Responsible Investment and engagement as way to achieve its objectives.

The Board **RESOLVED** to note the update provided without any further comment.

15. **Meeting Dates for 2023/24**

The Board noted that the provisional dates for the next meetings were as follows, with meetings (at this stage) scheduled to continue online:

- Wednesday 8 November 2023 at 6pm
- Monday 25 March 2024 at 6pm

16. **Exclusion of Press and Public**

At this stage in proceedings the Pension Board was asked to consider whether they wished to exclude the press and public for consideration of the final report on the agenda. Given the following item had been submitted for information and it was felt that it could be considered without the need to disclose any information classified as exempt it was **RESOLVED** not to exclude the press and public from the remainder of the meeting.

The meeting then continued in open session.

17. **London CIV Update**

The Board received and noted, without further comment, a report that provided an update on recent developments regarding Brent Pension Fund investments held within the London CIV

18. **Any Other Business**

Before closing the meeting, the Chair requested that officers explore whether future dates of meetings could be planned around the monitoring periods of quarterly updates to ensure that the data was more recent and therefore relevant.

The meeting closed at: 7:14pm

MR. DAVID EWART
Chair

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Brent	**Pension Board** 08 November 2023
	Report from the Corporate Director, Finance and Resources

Pension Administration Update

Wards Affected:	All
Key or Non-Key Decision:	Non key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two: Appendix 1 - Q1 2023-24 Performance Report Appendix 2 - Internal Audit – Terms of Reference
Background Papers:	Not applicable
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk) 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk) 020 8937 1487 Sawan Shah, Head of Finance sawan.shah@brent.gov.uk 020 8937 1955 John Smith, Pensions Manager john.smith@brent.gov.uk 020 8937 1985

1.0 Executive Summary

1.1 This report updates the Pension Board on pensions administration performance and related matters as part of its remit to oversee the administration of the Brent Pension Fund.

2.0 Recommendation(s)

2.1 The board is asked to note the report.

3.0 Detail

3.1 This report reviews the performance of the LPPA against agreed Service Level Agreements (SLA's) during the period April to June 2023 (Quarter 1) augmented by interim reports for July and August 2023.

3.2 Contribution to Borough Plan Priorities & Strategic Context

3.2.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.3 Background

3.3.1 It is important to note that the Local Pensions Partnership (LPP) has migrated both its pension administration system and its workflow system to UPM.

3.3.2 This is an extremely complex and resource consuming process that would disrupt any pension administration team and it will inevitably impact on service delivery. The comments below should be viewed through the lens of this migration.

3.3.3 The service delivered by the LPP has fallen below the standards they set themselves and they are committed to improving their performance. The Pension Administration Team (PAT) hold monthly meetings with the LPP to monitor their performance in individual months and against trends across several months.

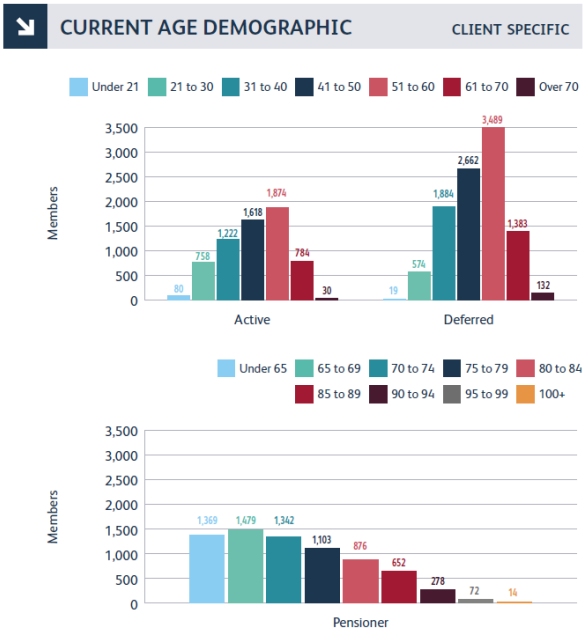
3.3.4 At the time of writing, the quarterly performance report for quarter 2 (June – September 2023) has not yet been produced, this report is based on the report issued for Quarter 1 (Appendix 1) and the interim reports submitted for July and August.

LPPA Quarter 1 performance report

3.3.5 Brent Pension Fund had 23,694 members at 30th June 2023 of which:

- 6,366 were active members
- 10,143 were deferred members, and
- 7,185 were pensioner and dependant members.

3.3.6 Figure 1 shows the current age demographic of the Brent Pension Fund members. This is broken down between active, deferred and pensioner members.

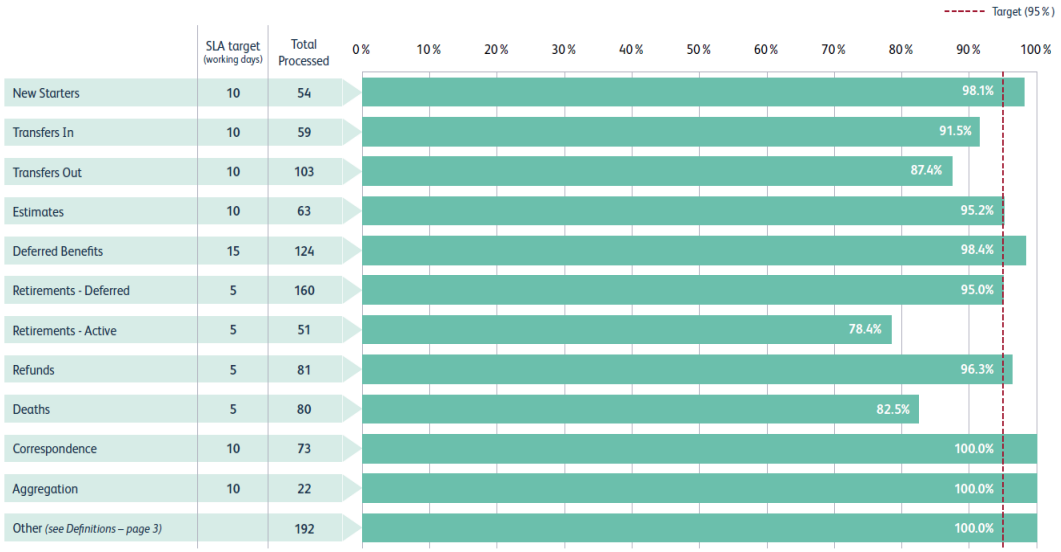


3.3.7 This shows that the most of working age active members fall into the 31 to 60 age groups while, as would be expected, 51-60 is the cohort with the highest number of deferred members.

3.3.8 For pensioner and dependant members, the numbers in the 65-75 banding are broadly the same before progressively declining gently with age.

3.3.9 Although the average percentage of cases processed on time was only 87.8% in April, it subsequently improved to 96.8% in May and 96.9% in June, both of which were within SLA.

3.3.10 Figure 2 provides detail on the number of cases that have been processed grouped by category.



3.3.11 The Casework metric shows that performance was largely good, apart from transfers-out (87.4%), retirements from active status (78.4%) and deaths (82.5%). The Fund is disappointed with performance in relation to retirements and deaths because they should be the LPPs top priorities, and these processes should not be underperforming the less critical work. Officers have raised these concerns with the LPPA in reports for the Local Pension Board, at our regular performance monitoring meetings and at the Client Forum.

3.3.12 The Helpdesk call performance graphic measures the average wait time and calls answered. The number of calls received declined by (roughly) 5% and the average wait time fell to between two and four minutes over the quarter, which is within the target (four minutes). Although this statistic shows a marked improvement, 26% of callers waited between 5 and 15 minutes for a reply.

3.3.13 The Helpdesk implemented a new call handling system in March which allows improved call routing. This enabled the LPPA to train additional Helpdesk advisors and reduce the average wait time. This appears to be driving improvements in the first quarter as average wait times are within the target time of 4 minutes.

3.3.14 Helpdesk satisfaction fell to 71% over quarter 1 because many respondents felt that their query was not answered satisfactorily. Unfortunately, this appears to suggest that the improvement in the time taken to answer calls has been achieved at the expense of quality.

Complaints

3.3.15 Since the last Pension Board, 22 new complaint cases have been received, a decrease on the 33 reported to the board at its previous meeting. The number of complaints received by month and analysed by case type is shown in table 2 below. It is acknowledged that levels of complaints are high compared to the historical average and this is due to the challenges in performance following the system migration however complaints volumes trended downwards during the period.

Table 2: Complaints Received by Month

Month	Delays	General Service	Total
June 23	6	5	11
July 23	5	2	7
August 23	2	2	4
Total	**13**	**9**	**22**

3.3.16 No Internal Dispute Resolution Procedure (“IDRP”) complaints were received during the period and one IRDP case was concluded. 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. In addition, following the completion of each case, a process is undertaken to ensure any

lessons learned are reviewed and consequently, if necessary, processes and procedures will be updated.

The Interim Performance Reports for July and August

3.3.17 The LPP performance metrics for this period are variable, and the four areas reported on were as follows:

Retirements from Active Status

3.3.18 The LPP completed 95.2% in July and 91.7% in August. The performance has been uneven and, although it is generally trending in the right direction, it only hit SLA (95%) in July.

Retirements from Deferred Status

3.3.19 This process has shown a slight but steady decline. Performance was 94.5% in July and 93.2% in August.

Bereavements

3.3.20 The LPPs performance has been challenging and it achieved, 77.8% in July and 68% in August and it did not hit SLA during this period.

3.3.21 Bereavements should be the LPP's top priority and a decline from a modest level of performance is disappointing.

3.3.22 The LPP has suggested *that "August's performance for bereavements was adversely impacted by completing cases that had already failed SLA".* The Quarter 1 metrics show that there is a backlog of death cases and this comment acknowledges that clearing them may impact on the percentage of cases completed within SLA.

Overall Performance

3.3.23 Marginal declines in overall performance are to be expected from time to time; however, it is worth noting that the LPP is achieving better statistics in routine processes across the board than they are in the handful of key processes that they report on.

UPM

3.3.24 The second stage of the UPM performance improvement plan was delivered in July with a further software release from Civica to enhance performance and weekly meetings are scheduled to take place that include a standing agenda item on performance.

McCloud

3.3.25 The LPP advises that the date for UPM system readiness is not yet confirmed and Civica are preparing the necessary fixes and undertaking the required testing.

3.3.26 The LGA has advised practitioners that the software providers are struggling to keep up with the changes, although some are doing better than others. Currently, cases are being processed as normal while system functionality is awaited and cases will be revisited subsequently once the system has been updated.

3.3.27 John Crowhurst, the Commercial Director at LPP will be in attendance at the Pension Board meeting to provide a further verbal business update.

Performance Metrics

3.3.28 The interim Metrics that the LPP provided for June, July and August are very narrow as they only report on three critical processes and an overall performance figure.

3.3.29 Brent understands that the LPP is facing several challenges and it serves no purpose to divert finite resources from case handling to deliver better performance reporting.

3.3.30 Nonetheless, the key to delivering a high-quality pensions administration service is metrics and there must be a long-term goal of delivering accurate performance measurement and enhanced transparency.

An Insight into Performance Metric Models

3.3.31 There a several methods of measuring performance and the LPP has agreed to show the PAT the matrix behind its performance figures so that it can understand how they are calculated.

3.3.32 It may be helpful to draw the Board's attention to two of the models commonly used so that it can understand the differences and their potential strengths and weaknesses.

3.3.33 The standard model that is usually employed reports on the number of cases completed within SLA during a period divided by the number of new cases received in the same period. This can be enhanced by measuring the average time it takes to complete a case at calendar length.

3.3.34 The additional calendar length metric is designed to prevent manipulation of the figures by misusing the "wait" facility on the administration system. It is based on the rationale that a few cases will take a long time to complete but if most of the cases significantly exceed SLA, it is a strong indication that the "wait" ("parked") facility is being misused.

3.3.35 It is very important to have visibility of the matrix behind the figures as inferior models have been advanced by reputable bodies.

3.3.36 For example, a model was presented to the LGPS Technical Group (about) three years ago that ignored the volume of work received and concentrated on dividing the cases completed within SLA by the number of cases completed instead.

3.3.37 This model is suboptimal for several reasons:

1) no matter how many new cases were received in a period, if the contractor only completed one case they would score 100% as long as that case was completed within SLA,

2) Once a contractor has completed all the new cases there is no incentive to complete older ones as they reduce the (notional) percentage completed within SLA,

3) It encourages contractors to focus on new cases and leave the old ones to wither and

4) It is open to manipulation and incentivises bad practice.

3.3.38 Pensions administration is seasonal work (very few pensioners pass away in the summer) and effective metrics help the manager to target their resources efficiently and identify any pinch points.

4.0 Annual Benefits Statement

4.1 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.

4.2 Brent provided annual benefit statements (ABS) to 95% active members and 99% for deferred members. The main reason for an ABS not being produced is that employers had not completed the end of year return in time or there was an outstanding query from the year end return.

4.3 Members who have not received an ABS will receive a statement from the Fund as soon the relevant information has been received from the employer and any queries have been cleared.

4.4 The 5% shortfall in active members' ABS is not considered material as Brent is taking positive steps address the exceptions. Steps the Fund has taken include:

- Officers have been monitoring the situation and proactively working to rectify this issue as soon as possible.
- Vigorously pursuing employers who have been slow to submit monthly contribution returns.
- Significantly overdue returns are being escalated to senior management at employers.

- Implementing monthly contributions returns to eliminate the possibility of employers not submitting an annual contribution return, which has been biggest single issue.
- Encouraging employers to change their payroll providers where performance is falling short.
- The Fund will consider using the powers set out in the Pensions Administration Strategy where employers are not complying with the standards expected.

5.0 Internal Audit

5.1 An Internal Audit of the Pension Fund's arrangements regarding the monitoring of the pensions administration contract and the collection of pension contributions is currently taking place. It is normal practise for an Internal Audit to take place on the Fund at least once a year on matters it considers high risk or areas that have not been reviewed in previous years.

5.2 The objective of the audit is to provide assurance on the effectiveness and robustness of the control framework for the Council's arrangements for the pensions' contributions management process. The audit will focus on key controls in place in relation to the following processes:

- Roles and responsibilities and monitoring of the SLA
- Contribution data - employer and employee
- Contribution receipts
- Monitoring and reporting

5.3 The Terms of Reference is attached in Appendix 2. The audit is expected to conclude at the start of December 2023 and the results will be reported to the next Pension Board meeting.

6.0 Stakeholder and ward member consultation and engagement

6.1 This is not applicable to this report.

7.0 Financial Considerations

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

8.0 Legal Considerations

8.1 There are no specific legal considerations arising from this report.

9.0 Equality, Diversity & Inclusion (EDI) Considerations

9.1 There are none directly arising from this report.

10.0 Climate Change and Environmental Considerations

10.1 There are none directly arising from this report.

11.0 Human Resources/Property Considerations (if appropriate)

11.1 There are none directly arising from this report.

12.0 Communication Considerations

12.1 None that are applicable to this report.

Report sign off:

Minesh Patel
Corporate Director, Finance and Resources

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LPP
Local Pensions Partnership Administration

Brent Pension Fund

Quarterly Administration Report

1st April – 30th June 2023

lppapensions.co.uk

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DEFINITIONS

Page 9

Total Fund Membership

Total Fund Membership is the number of Member records held on the LPPA pensions administration system that are contributing to, awaiting benefits, or receiving benefits from the pension fund.

Current Age Demographic

The age profile of the Membership is split across three types of status:

Active Members – Members who are currently contributing toward their pension benefits.

Deferred Members – Members who hold a deferred benefit in the fund.

Pensioner Members – Pensioners and Dependants who are currently receiving a pension.

Page 11

Casework Performance Against SLA

Performance is measured once all information is made available to LPPA to enable them to complete the Process. Relevant processes are assigned a target timescale for completion, and the performance is measured as the percentage of processes that have been completed within that timescale.

Page 12

Casework Performance Against SLA

The category of 'Other' on this page covers processes including, but not limited to:

- APC/AVC Queries
- Additional Conts Cessation
- Change of Hours
- Change of Personal Details
- Under Three Month Opt-Out
- Main to 50:50 Scheme Changes
- Divorce Quotes
- Divorce Settlement
- Ill Health Reviews

Please note that this page includes cases that have met the SLA target, but the stop trigger may also have been actioned before the process has been completed.

Page 13

Ongoing Casework at the end of the Reporting Quarter

Please note the number of processes brought forward, does not match the corresponding number of outstanding processes reported in the previous quarter (due to various reasons which can include; but not limited to, the deletion of a process or changes in assigned categories).

Page 15 & 16

Helpdesk Performance

Average wait time measures the time taken from the caller being placed into the queue, to them speaking with a Helpdesk adviser.

Page 21 & 22

Member Online Portal

The number and percentage of records that are registered for LPPA's Member Self-Service facility, PensionPoint.

Page 28

Common/Conditional Data Fails

The Pension Regulator requires Administrators to keep Member data up to date to ensure benefits are accurately paid. This is split by Common Data (details that are specific to the Member) and Conditional Data (data that is related to the pension).

Individual Fails shows the total number of unique Members that have a single or multiple number of Common Data or Conditional Data fails. On both charts, the Accuracy Rate (%) then compares the number of Individual Fails to the total number of Scheme Members.

For more detail on the Data Items / Error types presented in these charts, please visit either the TPR or PASA (The Pension Administration Standards Association) websites.

OUR CORE VALUES

This administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services.

The report describes the performance of Local Pensions Partnership Administration (LPPA) against the standards set out in the SLA.

Within LPPA, our values play a fundamental role in guiding our behaviour as we grow our pensions services business and share the benefits with our Clients.

ANNUAL PLAN

✓ COMPLETED DUE

	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
Annual Benefit Statement and Newsletter to Deferred Members				DUE								
Pension Increases		✓										
Annual Benefit Statement and Newsletter to Active Members					DUE							
Pension Saving Statements							DUE					
HMRC Scheme Returns							DUE					
IAS19 data			✓		DUE				DUE			DUE

EXECUTIVE SUMMARY

Forward thinking…
Working together…
Doing the right thing…
Committed to excellence…

This performance report covers the reporting period of Q1 2023/24 (April – June 2023)

Casework and Helpdesk performance metrics are trending in the right direction but this is not yet translating fully through to the member, employer and client experience. Performance is starting to "look green" but doesn't yet "feel green". This is due to a number of factors, including:

- The spikes in work for bereavements and retirements from Project PACE were cleared in line with plans. This was achieved at the end of June, hence some delays persisted through Q1 2023.
- Expressions of dissatisfaction are a lag indicator, typically 2-3 months and member, employer and client experience takes some time to catch up with performance improvement

All public service pension schemes use the SCAPE (Superannuation Contributions Adjusted for Past Experience) rate, to work out the factors used to calculate the Cash Equivalent Transfer Value (CETV) for certain transfers and divorce calculations. Factors were unavailable from the beginning of April and all impacted calculations were on hold until the new factor tables were issued in June 2023.

Payroll

All pensioner payroll and lump sum payments due in the reporting period were made on time (this equates to over £100m, across all clients, in pension payments per month).

Statutory deadlines

All regulatory and statutory deadlines due in the reporting period were met.

- Pensions Increase was successfully run.
- P60s produced and made available to members.
- Newsletter issued to retired members.

Casework SLA performance

Overall performance against SLAs is trending in the right direction, however performance has been impacted by a focus to clear cases that had already failed the SLA due to the impact of Project PACE. Cases that have missed SLA impact the performance measure when they are completed and not when they miss.

As confirmed in the previous quarterly performance report, the SLAs are measured in line with contractual obligations.

EXECUTIVE SUMMARY CONTINUED

Forward thinking…
Working together…
Doing the right thing…
Committed to excellence…

Satisfaction scores

Helpdesk satisfaction score at the end of Q1, was 71 %. Lower satisfaction scores point to the quality of the call and some members felt that their query was not resolved fully. LPPA has had a large number of new starters in the Helpdesk and although training does take place before call handers are allocated to call queues, members can and do ask questions that new call handlers have not been trained to answer. Further cross-skilling and upskilling is underway to equip call handlers to handle the wide variety of calls received into LPPA.

Retirement satisfaction scores reduced during the period. At the end of Q1, satisfaction was 58 %, at the end of Q4 satisfaction was 69 %. Retirement satisfaction scores are generally a lag indicator and lower satisfaction was expected due to the impact of Project PACE and the disruption caused through the first few months of 2023.

Pensions Helpdesk

Helpdesk performance for the period has seen average call wait time below the non-contractual target of 4 minutes, at an average of 3 minutes 42 seconds. Despite high call volumes during a seasonally busy time, due to Pensions Increase, tax code changes and P60, Helpdesk performance continues to trend in the right direction.

Fund Membership

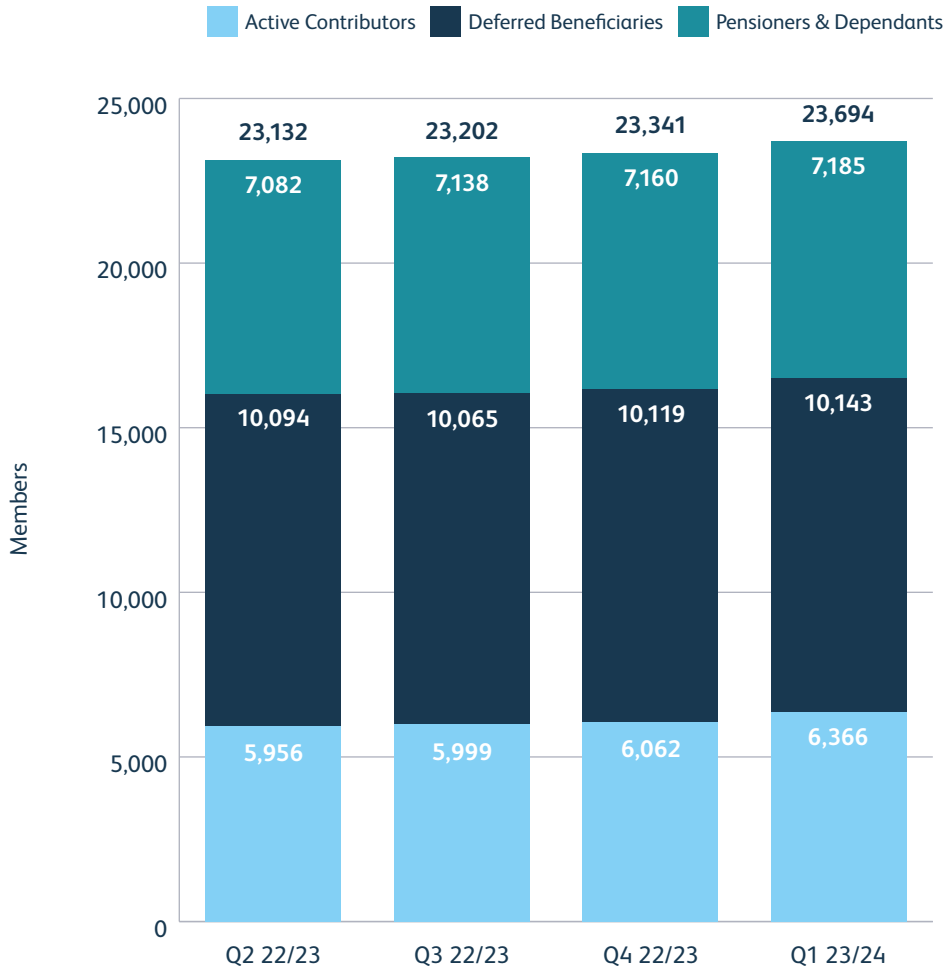
In this section…

- Total fund membership
- Current age demographic

TOTAL FUND MEMBERSHIP

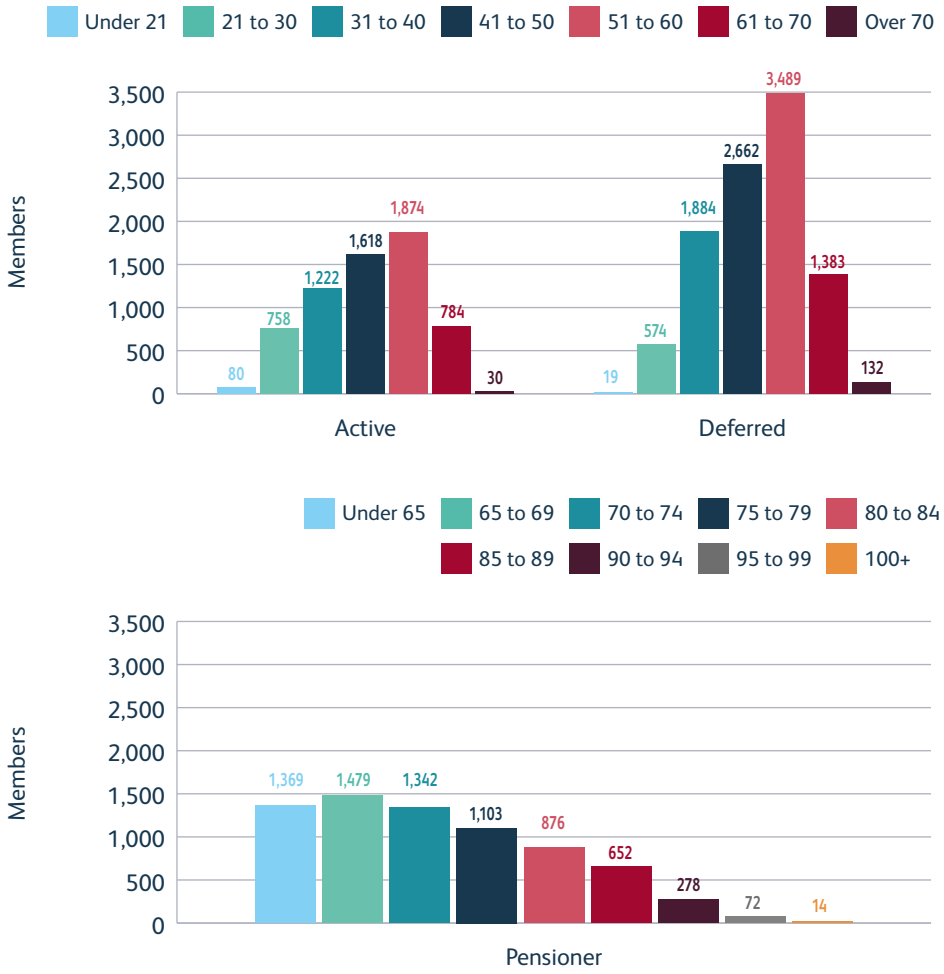
TOTAL FUND MEMBERSHIP

CLIENT SPECIFIC



CURRENT AGE DEMOGRAPHIC

CLIENT SPECIFIC



Casework Performance

In this section…

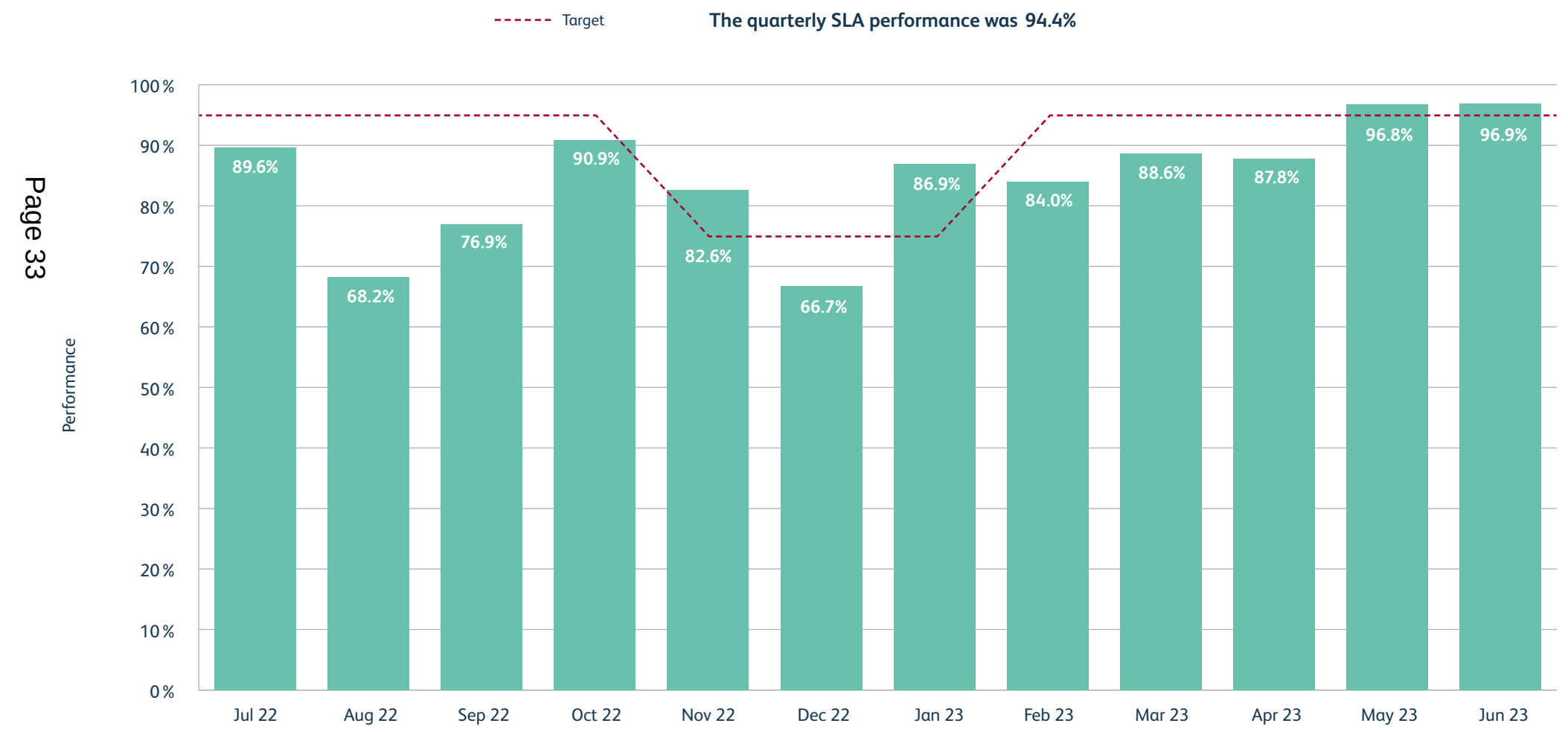
- Performance – all cases
- Performance standard
- Ongoing casework at end of reporting quarter

CASEWORK PERFORMANCE

Please note:
Agreed with clients that LPPA's monthly operational targets would be relaxed from Nov 22 to Jan 23, in line with UPM migration timings (22/23).

PERFORMANCE – ALL CASES

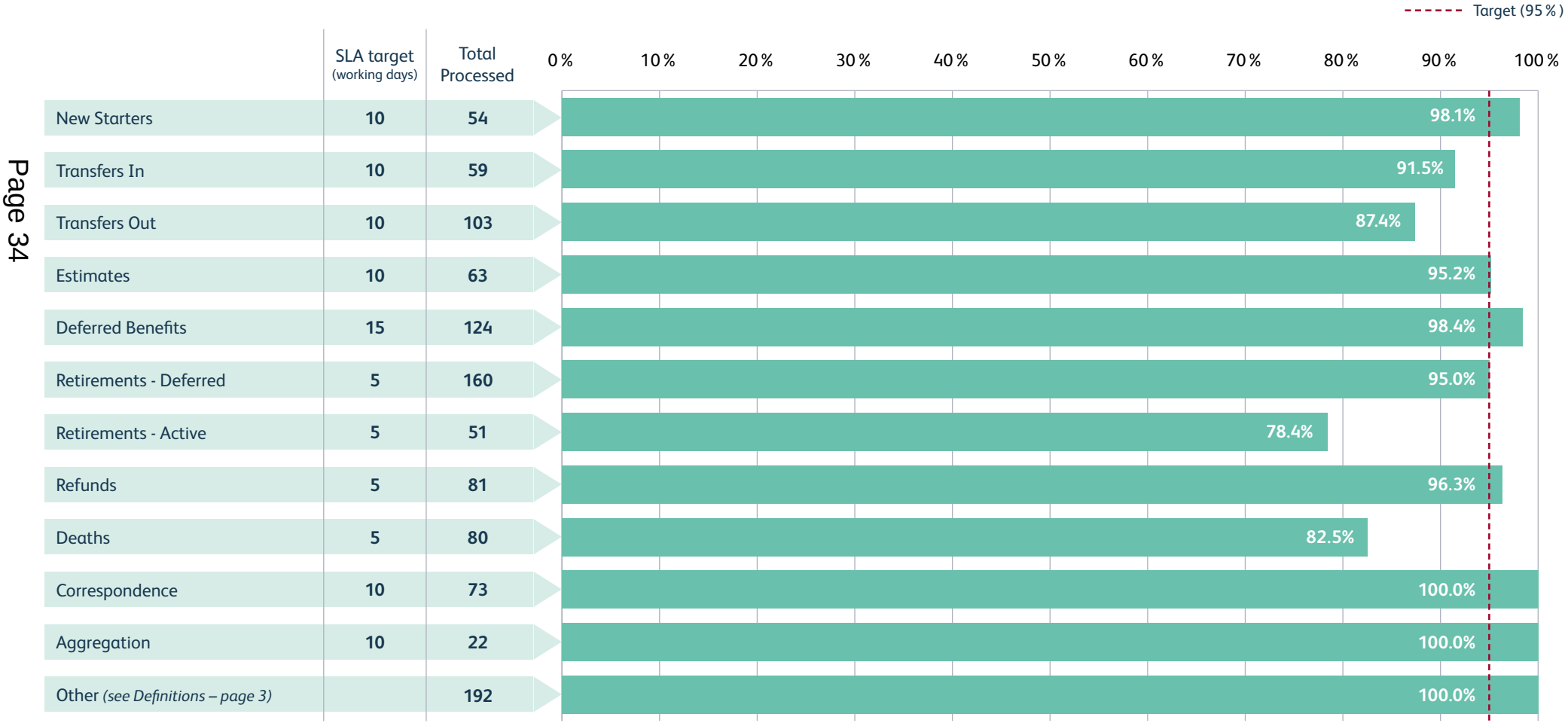
CLIENT SPECIFIC



CASEWORK PERFORMANCE

PERFORMANCE STANDARD

CLIENT SPECIFIC



	SLA target (working days)	Total Processed	
New Starters	10	54	98.1%
Transfers In	10	59	91.5%
Transfers Out	10	103	87.4%
Estimates	10	63	95.2%
Deferred Benefits	15	124	98.4%
Retirements - Deferred	5	160	95.0%
Retirements - Active	5	51	78.4%
Refunds	5	81	96.3%
Deaths	5	80	82.5%
Correspondence	10	73	100.0%
Aggregation	10	22	100.0%
Other *(see Definitions – page 3)*		192	100.0%

CASEWORK PERFORMANCE

ONGOING CASEWORK AT THE END OF THE REPORTING QUARTER

CLIENT SPECIFIC

The following table is created by identifying all reportable casework within UPM, and includes those that have subsequently Completed / Aborted / Remain Outstanding within the quarter. The figures in this table cannot compared to those in the previous slide for a number of reasons including: the table includes aborted cases, but the horizontal bar graph does not; the SLA 'stop trigger' can be actioned before the process has been completed.

	Brought Forward at 01/04/23	Received (Inbound)	Completed (Outbound)	Outstanding as of 30/06/23
New Starters	17	53	69	1
Transfers In	208	82	84	206
Transfers Out	224	140	134	230
Estimates	28	90	67	51
Deferred Benefits	173	155	159	169
Retirements - Deferred	172	209	172	209
Retirements - Active	70	87	82	75
Refunds	47	88	102	33
Deaths	191	112	114	189
Correspondence	73	116	93	96
Aggregation	52	91	60	83
Other *(see Definitions – page 3)*	89	301	313	77
TOTALS	1,344	1,524	1,449	1,419

Helpdesk Calls Performance

The Helpdesk deals with all online enquiries and calls from Members for all funds that LPPA provide administration services for.

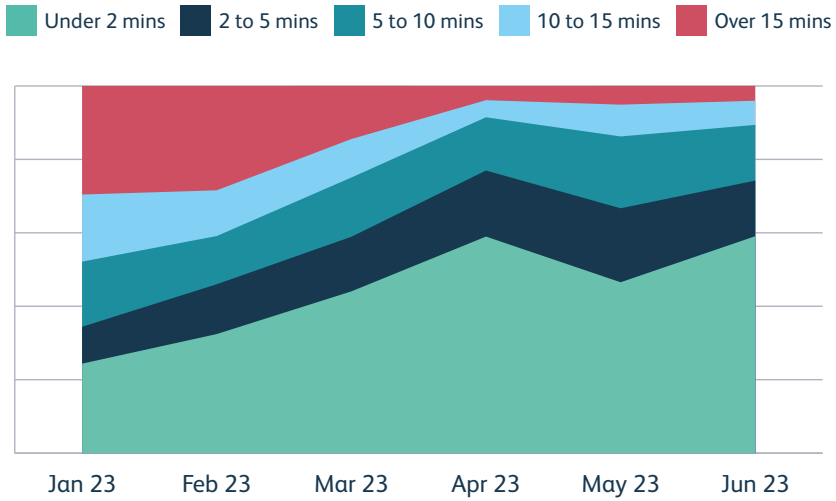
In this section…

- Wait time range
- Calls answered (%)
- Total calls

HELPDESK CALLS PERFORMANCE

WAIT TIME RANGE

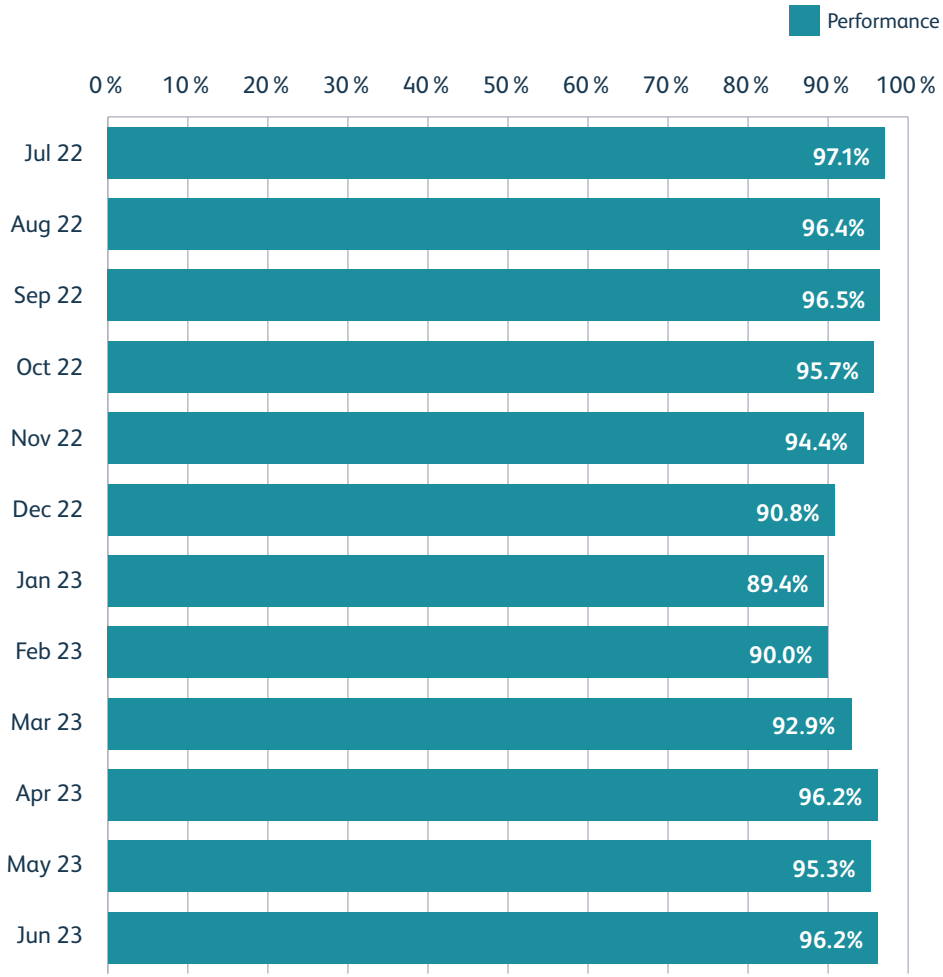
ALL LPPA



	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Jan 23	24.4 %	10.0 %	17.8 %	18.3 %	29.6 %
Feb 23	32.4 %	13.6 %	13.1 %	12.5 %	28.4 %
Mar 23	44.1 %	14.9 %	16.1 %	10.5 %	14.5 %
Apr 23	59.0 %	18.0 %	14.5 %	4.7 %	3.9 %
May 23	46.5 %	20.2 %	19.6 %	8.7 %	5.1 %
Jun 23	59.1 %	15.2 %	15.2 %	6.6 %	4.1 %

CALLS ANSWERED (%)

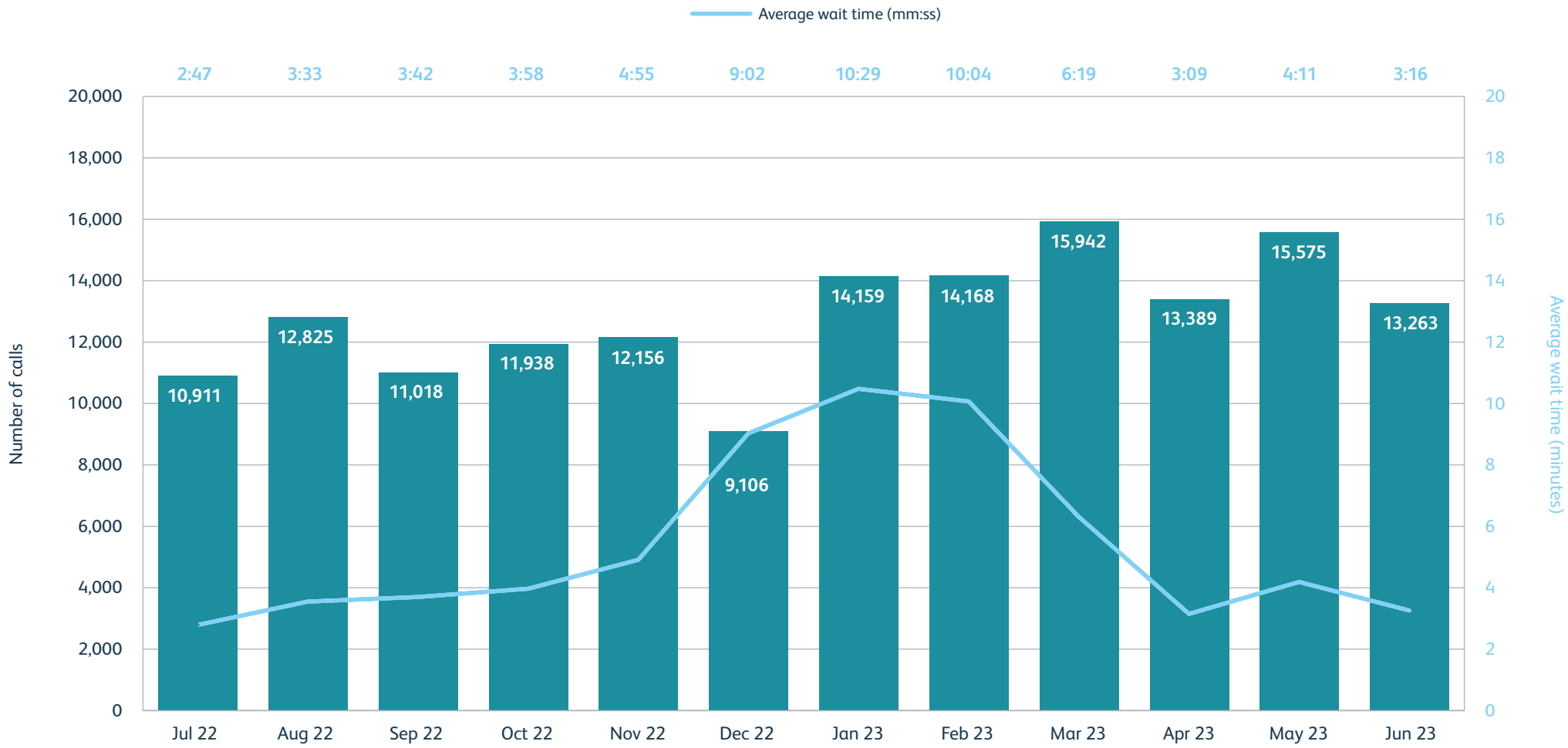
ALL LPPA



HELPDESK CALLS PERFORMANCE

TOTAL CALLS

ALL LPPA



Customer Satisfaction Scores

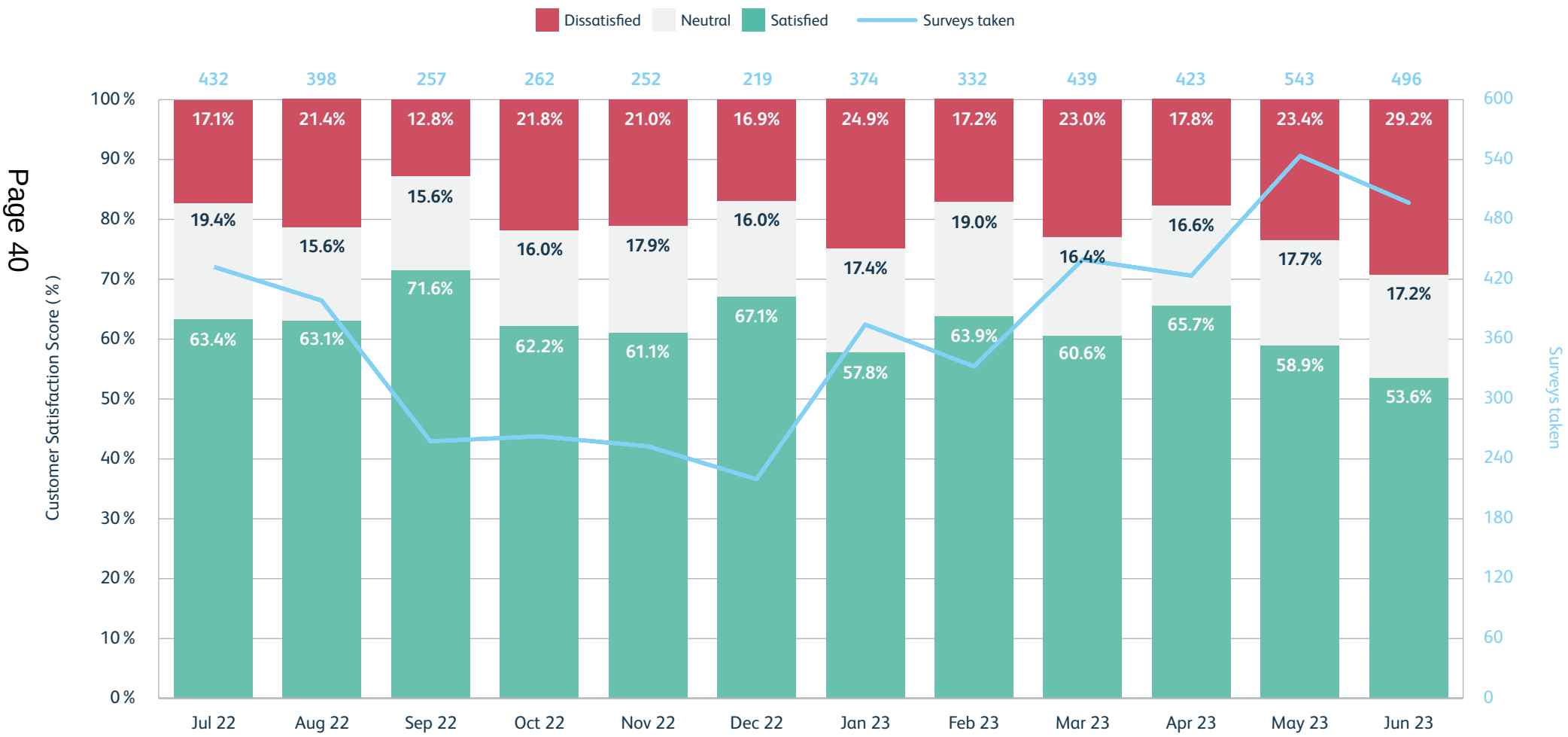
In this section…

- Helpdesk calls satisfaction
- Retirements

CUSTOMER SATISFACTION SCORES

HELPDESK CALLS SATISFACTION

ALL LPPA

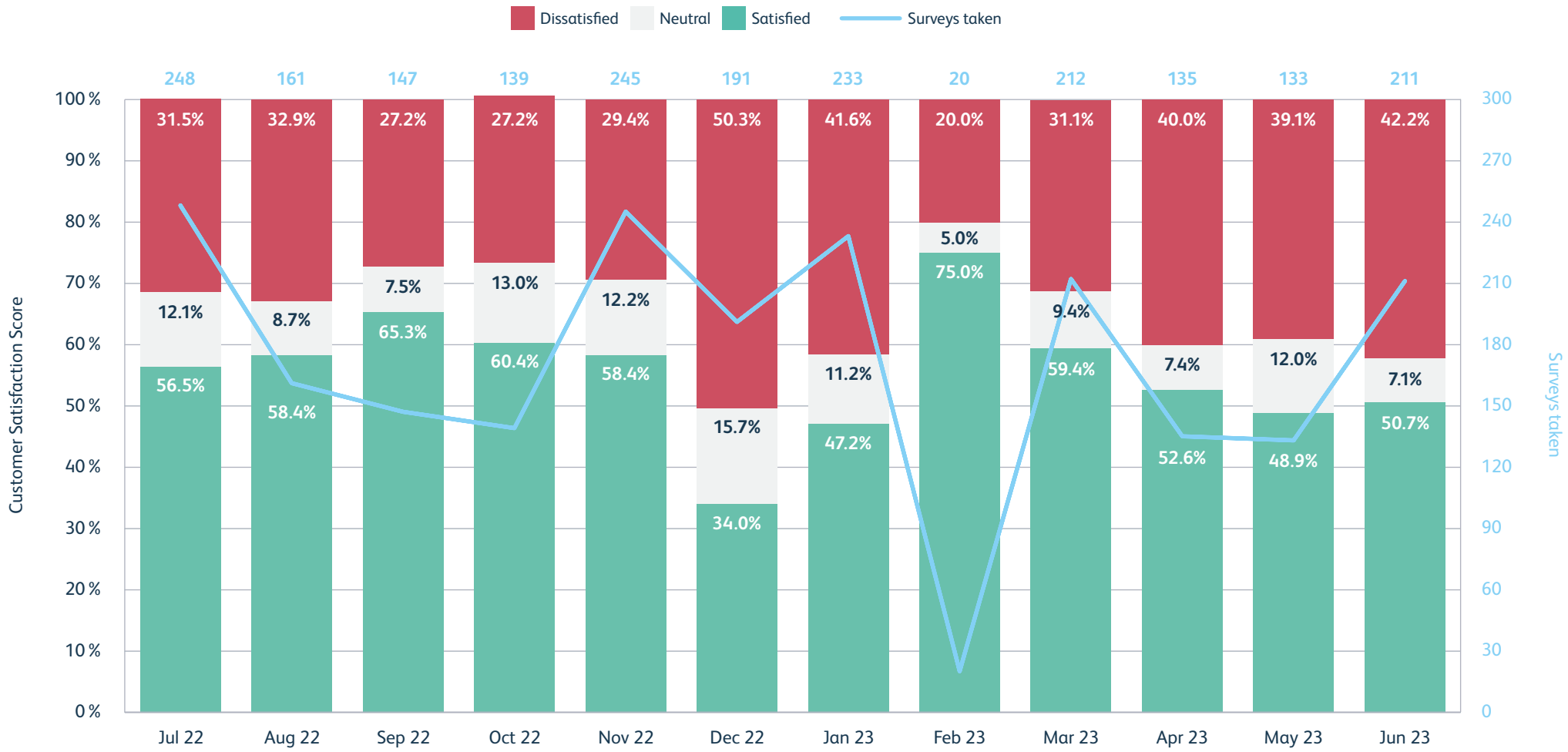


CUSTOMER SATISFACTION SCORES

Please note:
Surveys were paused in February and reinstated in March, following a review of the process. Some surveys were being issued before payment had been made to the member – the timing of the survey has now been updated to correct this.

RETIREMENTS

ALL LPPA



PensionPoint

Member Online Portal

In this section…

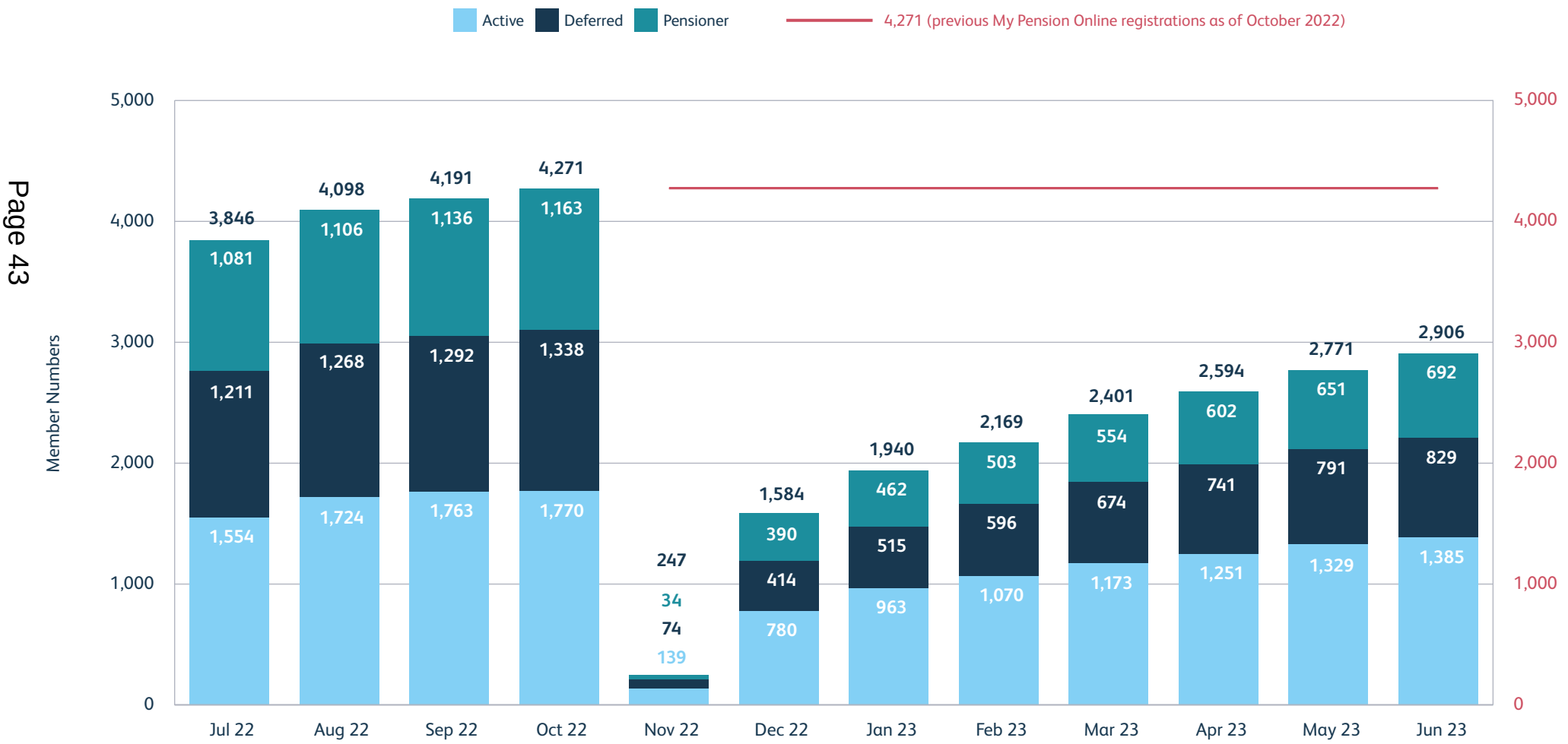
- Total members registered
- Members registered (%)

PensionPoint MEMBER ONLINE PORTAL

Please note:
Registration numbers have been slightly understated in previous monthly figures, these have been corrected in this report.

TOTAL MEMBERS REGISTERED

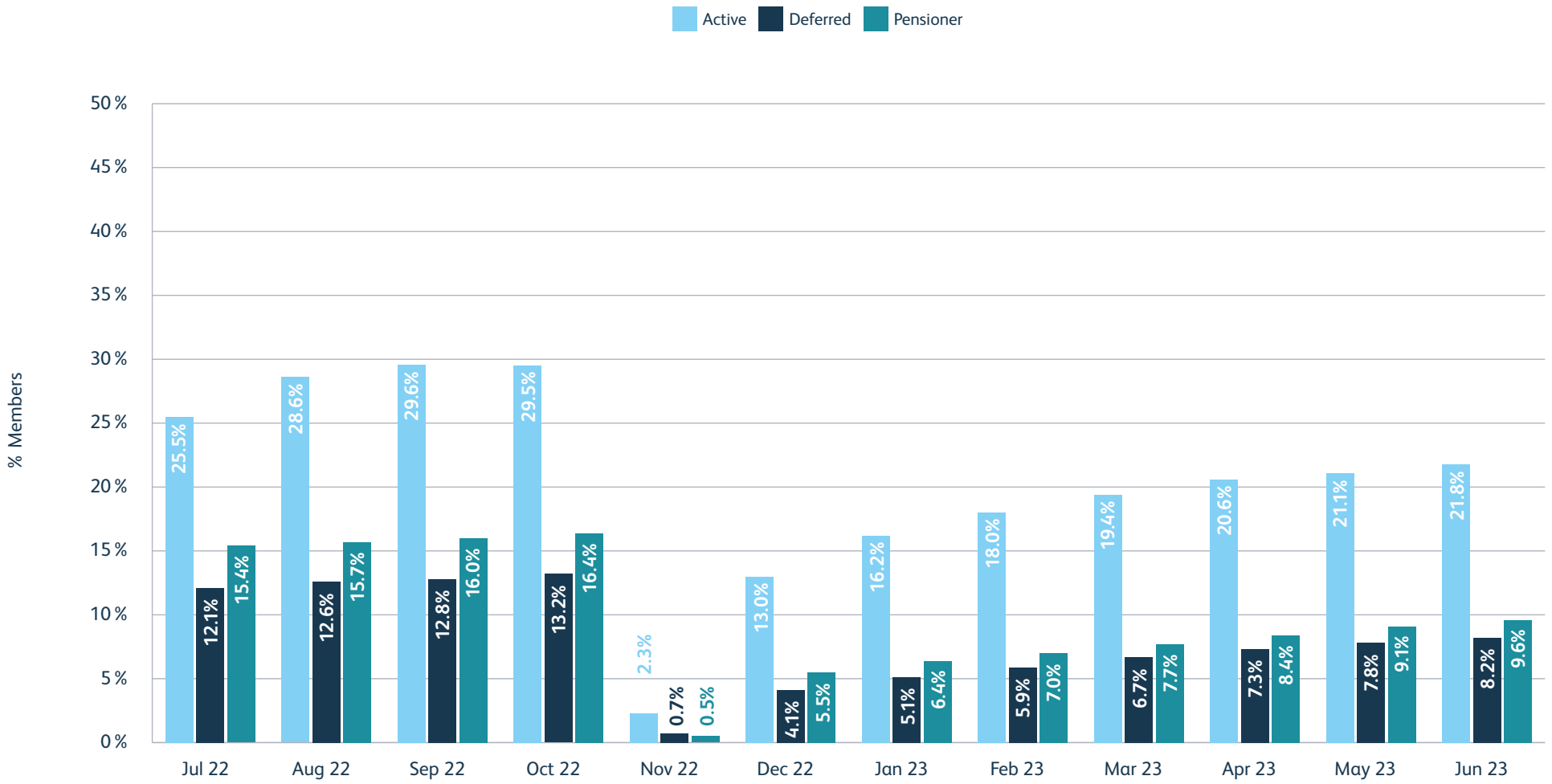
CLIENT SPECIFIC



PensionPoint MEMBER ONLINE PORTAL

MEMBERS REGISTERED (%)

CLIENT SPECIFIC



Employer Engagement & Member Communication Activity

In this section…

- Delivered
- Scheduled
- Engagement communications (Employers & Members)

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY

DELIVERED

ALL LPPA

- Employer training sessions have been delivered with a focus on annual and monthly data returns and navigating the UPM employer portal.
- Automated UPM email notifications went live, confirming to employers when data files have successfully been submitted, and processing has been completed by LPPA.
- Following feedback from employers, improvements have been made to the leaver form in the UPM portal (it is now quicker and more straightforward to complete).
- The online LPPA **retired member newsletter** was issued to all email contactable members (and is available to access on the LPPA website), including details on how to access their online P60 in PensionPoint (paper copies issued when requested by members).

LPPA website updates:

1. 2023 Spring Budget updates - update on pension increases
2. P60 information for retired members
3. A new homepage went live on the LPPA Pensions website, to make it easier for members and employers to find relevant information

SCHEDULED

ALL LPPA

- McCloud updates will continue to be added to the LPPA website for members, and with updates expected from the LGA (Local Government Association) and NPCC (National Police Chiefs' Council) in July, proactive letter communications will start to be issued to members.
- The online LPPA Summer newsletter will be published on the website and issued to deferred and active members on email. It will include details of how to view / understand their ABS, which will be available on PensionPoint by 31 August 23.
- As part of our ongoing employer training programme, a new event will focus on employer responsibilities, and useful resources that can be accessed on the LPPA website in support of these pension administration duties.
- Updates and improvements will continue to be made to the UPM employer portal and PensionPoint in Q2 (and ABS notification activity will deliver increased member registrations).

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY

ENGAGEMENT COMMUNICATIONS

CLIENT SPECIFIC

- Monthly return training sessions were delivered and 1 employer attended
- 2 Brent Pension Fund employers attended year end training
- UPM employer portal Training was delivered with 2 Brent Employers attending

EMPLOYERS

CLIENT SPECIFIC

Date	Employer	Activity	Number in attendance
04 Apr	Phoenix Arch School	Year End Training	1
04 Apr	Apleona	Year End Training	1
12 Apr	Phoenix Arch School	UPM Employer Portal	1
12 Apr	Chrysalis Multi Academy Trust	UPM Employer Portal	1
27 Apr	Phoenix Arch School	Submitting Monthly Returns	1

Data Quality

In this section…

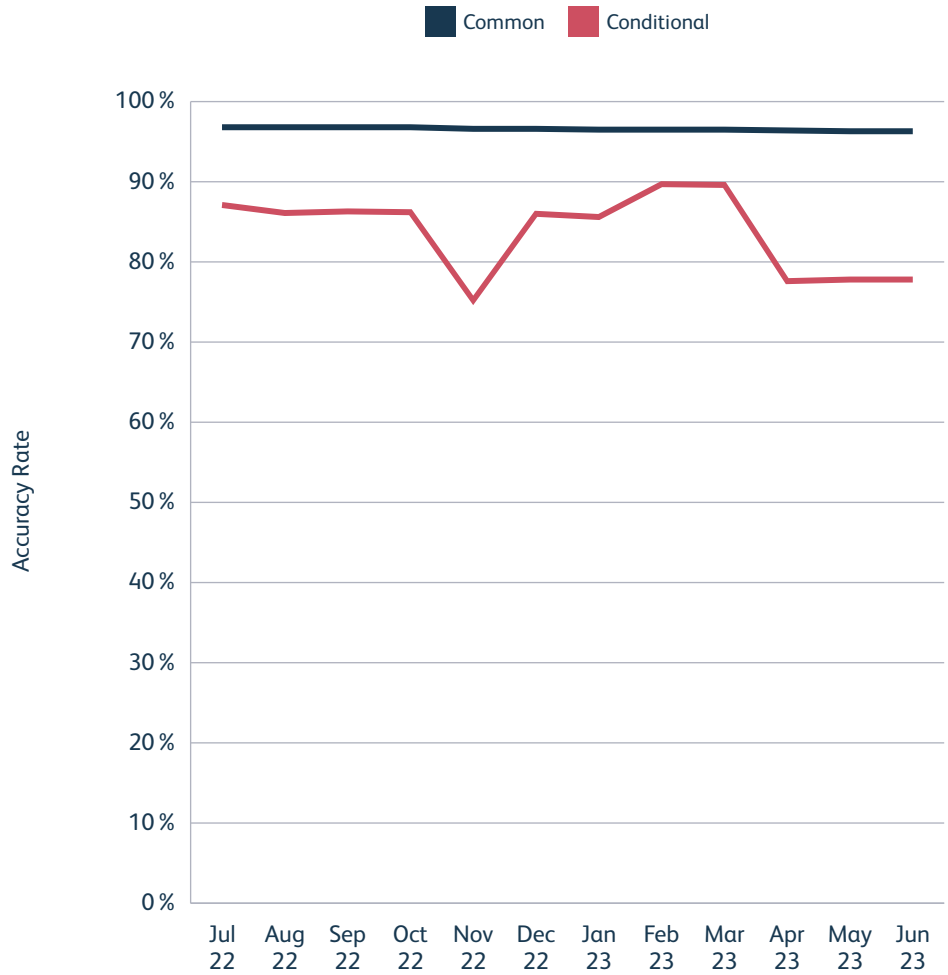
- TPR data scores
- Common data
- Conditional data

DATA QUALITY

Please note:
Fall in Q1 is seasonal and directly linked to the Pensions Increase exercise and we expect the score to return to normal values upon the resolution of the PI errors.

TPR DATA SCORES

CLIENT SPECIFIC



	Common (Target 95%)	Conditional (Target 90%)
Jul 22	96.8%	87.1%
Aug 22	96.8%	86.1%
Sep 22	96.8%	86.3%
Oct 22	96.8%	86.2%
Nov 22	96.6%	75.2%
Dec 22	96.6%	86.0%
Jan 23	96.5%	85.6%
Feb 23	96.5%	89.7%
Mar 23	96.5%	89.6%
Apr 23	96.4%	77.6%
May 23	96.3%	77.8%
Jun 23	96.3%	77.8%

END OF QUARTER DATA QUALITY

(TPR SCORES)

COMMON DATA

CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
Invalid or Temporary NI Number	3	79	26
Duplicate effective date in status history	1	13	13
Gender is not Male or Female	8	0	0
Duplicate entries in status history	10	35	24
Missing (or known false) Date of Birth	0	0	0
Date Joined Scheme greater than first status entry	10	1	4
Missing Surname	1	0	0
Incorrect Gender for members title	0	0	0
Invalid Date of Birth	4	0	0
No entry in the status history	2	0	0
Last entry in status history does not match current status	19	5	3
Member has no address	61	524	31
Missing Forename(s)	1	6	1
Missing State Retirement Date	8	0	0
Missing postcode	64	565	58
Missing Date Joined Pensionable Service	0	0	0
Total Fails	192	1,228	160
Individual Fails	110	666	107
Total Members	6,366	10,143	7,185
Accuracy Rate	98.3%	93.4%	98.5%
Total accuracy rate			96.3%

CONDITIONAL DATA

CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	102
AVC's/Additional Contributions	25
Deferred Benefits	3
Tranches (DB)	711
Gross Pension (Pensioners)	54
Tranches (Pensioners)	2,978
Gross Pension (Dependants)	83
Tranches (Dependants)	80
Date of Leaving	216
Date Joined Scheme	220
Employer Details	3
Salary	200
Crystallisation	336
Annual Allowance	159
LTA Factors	103
Date Contracted Out	5
Pre-88 GMP	703
Post-88 GMP	544
Total Fails	6,525
Individual Fails	5,265
Total Members	23,694
Accuracy Rate	77.8%

LPP

Local Pensions Partnership Administration

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Internal Audit Final Terms of Reference
Pensions Contributions

To:	Sawan Shah (Head of Pensions)
Cc:	Ravinder Jassar (Deputy Director of Finance)
	Minesh Patel (Corporate Director Finance and Resources)
From:	Darren Armstrong (Head of Audit and Investigations)
Date:	24 August 2023

Introduction and Ownership

The purpose of this Terms of Reference is to set out our approach and work programme for a review of pensions administration. This review is being undertaken as part of the 2023/24 Audit Plan as agreed by the Council's Audit and Standards Advisory Committee in March 2023. This plan was developed following an assessment of the main risks facing the Council as documented in our Internal Audit risk assessment.

The Council has identified Pension Fund as a Finance and Resources departmental risk where there is a risk that due to poor investments or a global economic downturn, Brent Pension Fund assets fail to deliver returns in line with the anticipated returns over the long-term, and as a result the Fund cannot meet its liabilities.

Sawan Shah (Head of Pensions) will take ownership of this review and will be responsible for agreeing the Terms of Reference. Ravinder Jassar (Deputy Director of Finance) will also be consulted.

Background

The employers that contribute to the Council's pension fund include the Council, schools, academies, admission bodies (outsourced contractors who apply to be admitted) etc. As at the end of March 2023, there were 88 employers (with different payrolls) that make contributions to the pension fund.

The contributions process is managed by the Council. This includes receiving contributions from employers into the Council's bank account, receiving the monthly contributions returns from employers and reconciling the returns to the bank and the general ledger.

Other elements of pensions administration process are outsourced to the Local Pensions Partnership Administration (LPPA), such as administering the member records (i.e. processing starters, leavers, opt-outs, benefits calculations, and refunds).

Service Objective

Administration of the pension scheme aims to ensure that pension contributions are collected from all active members, pension benefits are paid accurately and on time to all eligible pensioners and transactions are properly recorded in the underlying systems and accounts.

Audit Objective

The objective of this audit is to provide assurance on the effectiveness and robustness of the control framework for the Council's arrangements for the pensions' contributions management process.

Audit Scope

The audit will focus on key controls in place to mitigate the following potential risks:

Sub-processes	Key Risks
Roles and responsibilities	• If roles and responsibilities relating to the pensions administration process have not been clearly defined between the Council and LPPA, and performance against a Service Level Agreement (between the Council and LPPA) is not monitored, key roles or responsibilities may not be undertaken effectively, which could result in failure to comply with the Pension Regulator's Code of Practice, leading to reputational and financial risk for the Council due to possible fines.
Contribution data - employer and employee (LPPA)	• If contributions data is not received, is inaccurate or is not timely, then incorrect member records could be stored within the system, which could result in inaccurate pension payments and reputational risk for the council. • If any issues or complaints regarding the pensions administration and contributions process are not investigated and resolved, this could result in inaccurate contributions or reputational risk for the council.
Contribution receipts (employer and employee)	• If contribution receipts (into the Council's bank account) from employers are not received in line with statutory deadlines, and/ or are not reconciled, then this may lead to an incorrect valuation of liabilities/benefit payments, which may result in reputational risk and financial loss to the Council due to potential for fines from the Pensions Regulator.
Monitoring and reporting	• If the Council does not maintain adequate oversight of the services provided by LPPA, then it may not receive the agreed level of service, resulting in member complaints and reputational risk. • If relevant committees/ senior management do not receive adequate reporting (including around performance, exception reporting and late payments), then they may not have the necessary information to make informed decisions, which could lead to failure to achieve strategic objectives.

Limitations of Scope

Our work will be limited to the sub-processes and risks outlined in the table above.

Any observations we may report are limited to those identified through the course of our work and are not intended to represent an exhaustive list of all potential issues or considerations. Our work is not designed to ensure compliance with all laws and regulations. Fraud, error, or non-compliance with laws and regulations may occur and not be detected. Furthermore, the scope of our work does not constitute assurance over compliance with any laws and regulations.

This audit will look at controls relating to pensions contributions only.

As part of the scope of the audit we will not provide assurance over:

- core pensions administration processes (i.e. starters, leavers, amendments to bank accounts etc.);
- the accuracy of actuarial employer and employee contribution rates and calculations;
- investments relating to the pension fund.

Previous Audits of Pensions

- 2019/20 – Investments and Strategic Asset Allocation
- 2017/18 – Fund Administration

Audit Approach

The internal audit approach is developed through an understanding of the risk and management controls operating within the agreed scope.

The following procedures will be adopted:

- Identification of the risks within each area which threaten the achievement of objectives;
- Identification and evaluation of the controls in place to address these risks; and
- Testing of the operating effectiveness of the controls in place to address these risks.

The final outputs of this audit will be an internal audit report.

Timetable

Fieldwork start	16 October 2023
Fieldwork completed	01 December 2023
Closing meeting	01 December 2023
Draft report to client	10 days after closing meeting
Response from client	5 days after draft response
Final report to client	3 days after management approval

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	Pension Board 08 November 2023
	Report from the Corporate Director, Finance and Resources

Local Government Pension Scheme Update

Wards Affected:	All Wards
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Six: Appendix 1 - LGPC Bulletin – July 2023 Appendix 2 - LGPC Bulletin – August 2023 Appendix 3 - LGPC Bulletin – September 2023 Appendix 4 - McCloud and Your LGPS pension Appendix 5 – Scheme Advisory Board Consultation on Investment Pooling Appendix 6 - 2022 Scheme Valuation Report
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Finance sawan.shah@brent.gov.uk 020 8937 1955 John Smith, Pensions Manager john.smith@brent.gov.uk 020 8937 1985

1.0 Executive Summary

1.1 The purpose of this report is to update the Board on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

2.0 Recommendation(s)

2.1 The Committee is asked to note the recent developments in the LGPS.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

The SCAPE discount rate

3.2.1 The SCAPE discount rate has been reduced from CPI plus 2.4% to CPI plus 1.7% from 30th March 2023, which increases the notional cost of providing pension benefits.

3.2.2 This has led to the Government Actuary Department (GAD) revising all the factors and they are prioritising transfers, early and late retirement factors.

3.2.3 Although club transfer factors have been produced all transfers are on hold for technical reasons.

3.2.4 All contracts to purchase additional pension (APCs) will have to be revised in April. As the cost of purchasing APCs will increase it is likely that some existing contracts will terminate and there will be fewer new ones.

Cost control mechanism

3.2.5 The cost control mechanism is intended to keep the cost of providing pension benefits within a 3% affordability corridor. It consists of two tests; a core test which measures the cost of providing pension benefits and an economic check to determine whether any excessive fluctuation is temporary or systemic.

3.2.6 The core mechanism of the cost cap still uses a discount rate of CPI plus 3%, which would ordinarily have seen the cost of providing pension benefits falling due to a decline in longevity. However, the reduction in the SCAPE discount rate (CPI plus 1.7%) increases cost and more than offsets the potential reduction keeping variation within the 3% corridor.

McCloud

3.2.7 HM Revenue and Customs (HMRC) has laid two sets of rectification regulations and Department for Levelling Up, Housing and Communities (DLUHC) has laid the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023, which take effect from 1 October 2023.

3.2.8 The two sets of tax rectification regulations ensure that any underpin does not count towards the pension input amount (annual allowance).

3.2.9 The LGPS regulations amend the underpin to make it work.

3.2.10 DLUHC is producing statutory guidance confirming that members do not need to aggregate their membership to benefit from an underpin.

3.2.11 The scope of McCloud has broadened to cover all members of a public sector pension scheme with membership between 1st April 2012 an 31st March 2014 who have not had a break in membership of a public sector pension scheme of five years or more.

3.2.12 We will need to know the hours that eligible members worked and whether they had any breaks in service.

3.2.13 Annual benefit statements will need to record any potential underpin from 2025.

3.2.14 The software providers including the Fund's provider Civica (UPM) are finding it a challenge to implement developments relating to McCloud on their systems.

3.2.15 DLUHC and the SAB have published a McCloud fact sheet which provides useful information on what the McCloud judgment is, how the LGPS is changing and a flow chart to check if you are affected. This is attached in Appendix 4.

3.2.16 There will be a further consultation on McCloud in February 2024.

The extension of auto enrolment

3.2.17 The Pensions (Extension of Automatic Enrolment) Act 2023 received Royal Assent on 18th September 2023. It enables the Government to make regulations that will lower the minimum age for automatic enrolment from 22 to 18 and remove the lower earnings limit for contributions.

HMRC

3.2.18 On 18 July 2023, HMRC launched a consultation on abolishing the pensions lifetime allowance on 6th April 2024.

3.2.19 The maximum tax-free lump sum payable will be restricted to £268,275 unless the member holds valid lifetime allowance or lump sum protection.

3.2.20 If the lump sum exceeds the £268,275 limit the excess will be taxed at the member's marginal rate.

3.2.21 Administrators will still have to perform lifetime allowance checks, but there will be no charges.

3.2.22 The annual allowance was increased to £60,000 from 6th April 2023.

Pensions dashboard

3.2.23 The Pensions Dashboards (Amendment) Regulations 2023, which came into force on 9 August 2023 make changes to the connection deadline and the deferred connection rules. The connection deadline for all relevant schemes is 31 October 2026.

SAB consultation on investment pooling

3.2.24 DLUHC published a consultation on the next steps for LGPS investments on 11 July 2023 which sought views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The consultation closed on 02 October 2023 and the report to the Pension Fund Sub-committee on 04 October 2023 on this topic is included in the agenda pack.

3.2.25 The Scheme Advisory Board's (SAB) response to the consultation is attached in Appendix 5. They feel that increasing attempts by the UK Government to interfere in asset allocation is unhelpful and the Private Equity target is case in point. Asset allocation is the key determinant of success and it requires careful consideration of the specific circumstances of the fund that is based on expert professional advice from actuaries, economists, investment consultants and others.

3.2.26 Most funds are keen to invest in place-based Levelling Up initiatives where particular projects can be shown to be consistent with the fund's fiduciary duty and appetite for risk. SAB would like to see a more considered approach to addressing the key barriers of scale and supply.

3.2.27 If UK infrastructure projects are to compete with others around the world the Government needs to adopt a more activist strategy and offer comparable levels of transitional funding to jurisdictions such as the United States and the European Union.

The 2022 SAB Scheme valuation report

3.2.28 The report was published on 10th August 2023 and it is based on data drawn from local fund valuation reports. The report has been attached in Appendix 6.

3.2.29 All valuation reports show an improvement since 2019 and the average funding level has increased from 98% to 107% in 2022. This corresponds to an improvement from a deficit of £5.9bn at 2019 to a surplus of £22.1bn at 2022.

Brent's funding level improved from 78% to 87% in line with the national average.

3.2.30 The average primary (future) contribution rate has increased from 18.6% of payroll in 2019 to 19.8% of payroll in 2022.

3.2.31 Overall contribution rates fell from 22.9% of payroll in 2019 to 21.1% of payroll in 2022, which is mainly due to lower deficit contributions.

The Pension Regulator (tPR)

3.2.32 The long delayed tPR single code is expected shortly.

DLUHC

3.2.33 DLUHC is expected to produce amendment regulations for widower's pensions (flowing from the Goodwin appeal in Teachers' Pensions). Widower's pensions are currently restricted to post 6th April 1988 membership and relevant additional membership (RAM) for post-leaving marriages and are, therefore, gender/orientation discriminatory.

3.2.34 It is also expected to remove the age 75 restriction on death grants as it is age discriminatory.

4.0 Stakeholder and ward member consultation and engagement

4.1 This is not applicable to this report.

5.0 Financial Considerations

5.1 There are no specific financial implications associated with this report.

6.0 Legal Considerations

6.1 There are no specific legal considerations arising from this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are none directly arising from this report.

8.0 Climate Change and Environmental Considerations

8.1 There are none directly arising from this report.

9.0 Human Resources/Property Considerations

9.1 There are none directly arising from this report.

10.0 Communication Considerations

10.1 None that are applicable to this report.

Report sign off:

Minesh Patel
Corporate Director, Finance and Resources

LGPC Bulletin 240 – July 2023

This bulletin contains updates for all LGPS stakeholders. It includes important articles on:

- Annual Report guidance review (England and Wales)
- the latest GAD factors (England and Wales)
- the latest GAD factors (Scotland)
- DLUHC consultation on investment reforms
- HMRC consultation – abolishing the lifetime allowance
- the latest on the pensions dashboards reset
- webinar on Pensions administration apprenticeship changes (England)

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

SAB committees

The SAB has three subcommittees and one advisory group formed underneath the main SAB body. The committees are:

- Compliance and Reporting Committee (CRC)
- Cost Management, Benefit Design and Administration (CMBDA) Committee
- Investment, Governance and Engagement (IGE) Committee
- Responsible Investment Advisory Group (RIAG)

Each committee looks at a specific area of the LGPS. Each has its own terms of reference and membership profile made up of practitioners, advisors, scheme member and employer representatives.

On behalf of the SAB and Committee chairs, the secretariat team would like to thank the volunteers on each of the committees and working groups who devote their time and knowledge to support this important work.

The CRC was established following the disbandment of the Chartered Institute of Public Finance and Accountancy (CIPFA) pensions panel in 2021. It aims to co-produce statutory guidance for LGPS administering authorities on a range of issues. The CRC has five workstreams looking at drafting new or updating existing statutory guidance. The workstreams are:

- Good governance
- Knowledge and skills
- Funding strategy statements
- audit issues
- producing the Annual Report.

Preparing the Annual Report guidance - review

The CRC has identified several areas in the 2019 CIPFA 'preparing the Annual Report guidance' that require updating and clarification. A priority is to streamline the guidance and reduce duplication with other reporting obligations, wherever possible. This message is fully endorsed by DLUHC.

Another key area for improvement is how funds should report and categorise the allocation of assets. This area is covered in the Department for Levelling up, Housing and Communities (DLUHC) consultation on LGPS investment reform (see later article in this bulletin on the LGPS investment reforms consultation). This proposes a requirement for 'a single standard set of data on investments across Annual Reports and LGPS statistics'. The new guidance will suggest that administering authorities follow a 'worked example' template provided by the SAB. The aim is to improve consistency and scheme-level reporting of asset allocation in the SAB Annual Report. Using standard data to report asset classes should make the Annual Report process simpler for funds and more consistent, allowing readers to compare data directly. A 'worked example' template for the categorisation of assets will shortly be shared by the SAB secretariat team. Administering authorities should incorporate this into reporting as soon as possible while the new guidance is being prepared.

The administrative Key Performance Indicators (KPIs) are under review. The SAB has invited fund officers and software suppliers to comment on the current guidance. The aim is to define the KPIs better and allow for standardised reporting. This will enable funds to benchmark themselves properly against others. SAB aims to have the guidance in place for the 2023/24 reporting period, but hopes that some reporting changes can be implemented on a voluntary basis for 2022/23 Annual Reports. This will help deliver consistency in the asset allocation reporting area.

Action for administering authorities

If you would like to comment on the current guidance and have not yet been invited to do so, please contact contact the SAB secretariat.

Economic Activity of Public Bodies (Overseas Matters) Bill – update

The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons on 3 July 2023. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes and restrictions.

During the debate, significant concerns were raised about the Bill. These centered around its rationale, practicability and whether it constituted a significant over-reach of Ministerial authority. You can read more about the debate on the UK Parliament website.

The LGA has published a technical brief on the Bill. The technical brief includes a section on the Bill's effect on pensions and the LGA view of the Bill.

The SAB will provide written evidence on the Bill to the Public Bill Committee which will scrutinize the draft Bill. The Vice-Chair of the Board, Jon Richards, and LGA's Head of Pensions, Jo Donnelly, have also been invited to give evidence to that Committee. As far as the Board is aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycott or divestment policies.

Gender pensions gap report

The LGPS Gender Pensions Gap report produced in January 2023 identified a substantial difference between the average level of pension benefits built up by male and female scheme members. The difference is 34.7 percent for benefits in the CARE scheme and 46.4 percent for benefits in the final salary scheme. For benefits in payment, the difference is even greater at 49 percent.

While this indicates some progress towards equality, the Board asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth. The Board asked them to focus on:

- career patterns, in particular evidence of recent and past part-time working
- differences relating to employers or categories of employer
- comparing our analysis with the LGA's 2019 gender pay gap report.

In June 2023, GAD provided their findings. They concluded that there is no simple answer. There seems to be a complex interaction between the types of work that women do, their career patterns (including part-time working and career breaks) and their ability to progress their careers after taking on childcare or other caring responsibilities.

The report shows that:

- Part-time working patterns are closely related to gender pension (and pay) gaps for members. However, the observed differences between men and women in terms of both their current and historic part-time working patterns are not sufficient to account fully for these gender gaps.

- Pay and pension gender gaps can be seen for staff working with the same employer. The size of the gap at scheme-level is also due to the difference in the proportion of males and females working at higher paying employers, as well as between different categories of employers.

There is no settled approach to data and methodological issues that would allow detailed comparisons to be drawn between gender gaps in different public sector pension schemes. The Board has proposed that GAD puts in place a common reporting framework for all the public sector schemes. Potentially this could be worked into the quadrennial scheme valuation process. The Board believes that the relationship between gender pay and pension gaps reporting needs to be addressed to allow for greater transparency and understanding.

The Board has decided to set up a small working group to consider next steps. For example:

- Are there any in-scheme changes that would help address the levels of inequality eg around the ability to buy back service?
- Can we direct employers to best practice in managing the career paths of those who take time off for caring responsibilities?
- How do we communicate with members to ensure they are informed about the potential pension implications of the career choices they make?
- How can we mainstream this kind of analysis so we can properly evaluate what works and how much is left to do?

Action for administering authorities
If you are interested in joining the working group, please contact the SAB secretariat.

Code of transparency roadshows

SAB has set up a series of free regional training sessions on investment cost transparency. The sessions are for Local Pension Board members, committee members and fund officers and will provide:

- an explanation of the purpose and background of the Board's groundbreaking Code of Transparency
- a case study from an LGPS fund on how they have used investment cost information
- a trouble-shooting session on how to use the online reporting system, run in conjunction with Byhiras (the system provider), and
- a facilitated discussion on the information that fund officers should be receiving and how this information should be reported to Pension Boards and Committees.

Use the links below to book a free place at a session convenient to you:

- Investment cost transparency roadshow – Wolverhampton 12 September
- Investment cost transparency roadshow – Leeds 13 September
- Investment cost transparency roadshow – Cardiff 26 September
- Investment cost transparency roadshow – Edinburgh 21 September.

SAB plans to run two additional sessions in September or October 2023 – one in London and one online. If you are interested in attending either of these two sessions, please contact the SAB secretariat. We will notify you when they are available to book.

SAB website

The SAB website provides information about the Board's work. Use the links below to find out more about:

- latest news – including articles on:
  - the review of the guidance on preparing the Annual Report
  - update on the LGPS gender pensions gap report
  - consultation on LGPS investment reforms
- a summary of the last Board meeting
- SAB meeting and agenda papers
- committee meetings and agenda papers
- Responsible Investment Advisory Group meetings and agenda papers.

LGPS England & Wales

SCAPE discount rate and actuarial factors – second batch

On 3 July 2023, Rachel Abbey emailed administering authorities to let them know that DLUHC has cleared a second batch of actuarial factors for use. See

Bulletin 236 for more information about the change in SCAPE discount rate that led to the change in Government Actuary Department (GAD) factors.

The factors in the second batch that have been cleared for use, their effective dates and the impact on calculations are summarised below:

1. **Non-Club transfer in factors: tables x-209 to x-216.** The new factors are in force from 3 July 2023. Any cases on hold can now be processed using the new factors. Any interfund cases where the transfer value of final salary benefits will be used to buy additional pension in the CARE scheme can now be processed. Both the transfer out payment and the transfer in calculation should be based on the new factors.

2. **Non-Club transfer in with final salary link: table x-217.** The new factors are in force from 3 July 2023. If a member elects to complete a non-Club transfer with a final salary link where there is no guarantee on or after 30 March 2023, the new factors apply. If you supplied a guaranteed quotation before 30 March 2023, and the member replies within the guarantee period, use the old factors.

3. **Early retirement: table x-401.** The new factors are in force from 3 July 2023. If a member's early retirement date is 3 July 2023 later, the new factors apply. The new factors are lower than the ones in force before 3 July 2023. Any early retirement benefits already quoted will increase as a result of the change.

4. **Late retirement: table x-402.** The new factors are in force from 1 September 2023. A longer lead-in time has been allowed for these factors:

    - to allow time for software changes to be made, and
    - because some members' benefits may be lower using the new factors.

    LGPS benefits are increased for late retirement after Normal Pension Age (NPA):

    - benefits built up before 1 April 2014 are increased if they are taken after age 65
    - benefits built up from 1 April 2014 are increased if they are taken after State Pension Age, or after age 65 if this is later.

    When a member retires late after 31 August 2023, depending on the member's age, the calculation may require three stages:

- For any period between the NPA and 31 August 2019, the method and factors specified in the GAD 'LGPS (England and Wales): Late retirement guidance dated 18 April 2016 apply
- For any period between 1 September 2019 and 31 August 2023 (inclusive) the method and factors specified in the GAD 'LGPS (England and Wales) Late retirement' guidance dated 5 May 2021 apply
- For any period from 1 September 2023 onwards, the new factors in table x-402 apply. GAD has confirmed that no increase will apply to any retirement grant for the period from 1 September 2023 onwards.

We have updated the transitional arrangements table to reflect the publication of this latest batch of factors. The second batch of factors were contained in version 2023-02 of the GAD factor spreadsheet. They are also included in the latest version GAD factor spreadsheet version 2023-03. For certain calculations, you will need to use the factors that applied immediately before the change in the SCAPE discount rate. You can find these in GAD factor spreadsheet version 9.

You can find links to the factor spreadsheets, transitional arrangements table and guidance on the Actuarial guidance page of www.lgpsregs.org.

SCAPE discount rate and actuarial factors – third batch

On 28 July 2023, Rachel Abbey emailed administering authorities to let them know that DLUHC has cleared the third batch of actuarial factors for use.

The factors in the third batch that have been cleared for use, their effective dates and the impact on calculations are summarised below:

1. **Trivial commutation factors: tables x-501 to x-503.** The new factors are in force from 28 July 2023. Where a quotation was provided before 28 July 2023 and the nominated date was before 28 July 2023, use the old factors. In all other cases, use the new factors

2. **Inverse commutation factors: tables x-504 and x-505.** If you have already provided a quotation and the retirement date was before 28 July 2023, use the old factors. In all other cases, use the new factors.

3. **Scheme pays (Annual allowance) factors: table x-603.** For a deferred or active member, if the election date was before 28 July 2023, use the old factors. If the election date is 28 July 2023 or later, use the new factors. If the member is over their Normal Pension Age (NPA), or if they make a Scheme

pays election when their retirement figures are already being processed, use the Lifetime Allowance factors – see 4 below.

The relevant date for Annual allowance purposes is the 'day coincident with the end of the pension input period'. For Annual allowance cases, it is not the relevant date which determines which factors are used, it is the Scheme pays election date.

4. **Factors for calculating Lifetime allowance debit: tables x-609 and x-610.** The Government has announced that no Lifetime allowance charges will apply in 2023/24 and the Lifetime allowance will be abolished completely from 6 April 2024. The LTA factors are still required as they are used to calculate certain Annual allowance Scheme pays debits.

   Active or deferred member over their NPA on the relevant date: If the Scheme pays election is made before 28 July 2023, use the old factors. If it is made on or after 28 July 2023, use the new factors.

   The Scheme pays election is made when the retirement figures are already being processed: if the Scheme pays election date and the retirement date are before 28 July 2023, use the old factors. In all other cases, use the new factors.

We are in the process of updating the transitional arrangements table to reflect this latest issue of factors. The current factors are contained in GAD factor spreadsheet 2023-03. For certain calculations, you will need to use the factors that applied immediately before the change in the SCAPE discount rate. You can find these in GAD factor spreadsheet version 9.

You can find links to the factor spreadsheets, transitional arrangements table and guidance on the Actuarial guidance page of www.lgpsregs.org.

Change in early retirement factors – resources updated

We have updated the following resources to reflect the new early retirement factors that are in force from 3 July 2023:

- Taking your pension page of the LGPS member website www.lgpsmember.org
- Retirement planning guide for members – version 1.5 published
- Full guide for councillors - version 2.4 published

You can find the latest versions of our guides on the Administrator guides and documents page of www.lgpsregs.org.

Action for administering authorities
Update local versions of member guides and websites to reflect the new early retirement factors.

DLUHC consultation on investment reforms

On 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on LGPS investment reforms. The consultation was announced by the Chancellor in his Mansion House Speech. You can read more about the Mansion House Speech later in this bulletin.

The consultation seeks views on proposals in five areas:

- **Pooling**: a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale
- **Levelling up**: requiring that funds have a plan to invest up to 5 percent of assets to support levelling up in the UK
- **Private equity:** an ambition to increase investment into high growth companies via unlisted equity
- **Investment consultants**: regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS
- **Definition of investments:** a technical change to the definition in the LGPS Investment Regulations 2016.

The consultation will close on 2 October 2023. The SAB will respond to the consultation and publish a draft response and information about its discussions in due course.

Welsh version of the McCloud factsheet

DLUHC has published a Welsh language version of the McCloud factsheet for LGPS members. DLUHC published an English language version in April 2023 as part of the Government response to the 2020 consultation on changes to the underpin. Please see Bulletin 237 for more information.

DLUHC extends its gratitude to Gwynedd Pension Fund for their help in checking the translated factsheet.

Action for administering authorities
If you produce Welsh language resources, make the Welsh language version of the McCloud factsheet available to your members.

Court proceedings and the LGPS

Administering authorities are reminded to inform DLUHC as soon as possible if they are notified that a person or organisation intends to take legal action relating to the LGPS. This includes action relating to LGPS regulations or guidance, or broader legislation. Authorities can inform DLUHC by contacting lgpensions@levellingup.gov.uk.

SF3 form and guidance notes for 2022/23

On 10 July 2023, DLUHC updated their form and guidance for the Local Government Pension Scheme fund account return (SF3).

The documents set out the data for 2022/23 that administering authorities must provide by 15 September 2023. The completed form must be returned using the online DELTA system. Where possible, figures from audited final accounts should be used. If this is not possible, please use the unaudited data submitted to your external auditor. There is an indicator on the form to show whether you have submitted audited data.

DLUHC uses the information to provide a benchmark on administration and fund management. The information is also used in compiling the national accounts and to show the role of the LGPS in the economy.

The final SF3 results for 2021/22 were published in October 2022.

Action for administering authorities
Provide SF3 data to DLUHC by 15 September 2023.

LGPS Scotland

McCloud remedy consultation

On 21 July 2023, we published our response to the Scottish Public Pensions Agency's consultation and draft regulations on the McCloud remedy. See Bulletin 239 for more information.

You can access the consultation documents and our response on the Scheme consultations page of www.scotlgpsregs.org.

SCAPE discount rate and actuarial factors – second batch

On 3 July 2023, Craig Finlay, Policy Officer at Scottish Public Pensions Agency (SPPA), emailed administering authorities with the second batch of actuarial factors. Shortly after, Craig sent an updated version of the transitional measures table.

See Bulletin 236 for more information about the change in SCAPE discount rate that led to the change in factors.

The new factors contained in the second batch, their effective dates and impact on calculations are summarised below:

- **Non-Club transfer in factors: tables x-209 to x-218**. These are in force from 3 July 2023. Any cases that were on hold and had not been quoted can now be processed using the new factors. Any interfund cases where the transfer value of final salary benefits will be used to buy CARE pension can now be processed. Both the transfer out payment and the transfer in calculation should be based on the new factors.
- **Early retirement: table x-401**. The new factors are in force for retirements after 2 July 2023. The new factors are lower than the previous ones. Any early retirement benefits already quoted will therefore increase.
- **Late retirement: table x-402**. These are in force for retirements after 31 August 2023. A longer lead-in time has been allowed. This will give more time for software changes to be made. For members who reached normal pension age before 1 September 2023, the earlier factors will continue to apply for the period up to then.

See the transitional measures table for more detail on how to implement the new factors.

You can find links to the factor spreadsheets, transitional measures table and guidance on the Actuarial guidance page of www.scotlgpsregs.org.

SCAPE discount rate and actuarial factors – third batch

On 28 July 2023, Alan Wilkinson, Pension Policy Lead at SPPA, emailed administering authorities with the third batch of actuarial factors.

The email says that SPPA will shortly send an updated version of the transitional arrangements table. In the meantime, the transitional arrangements for the new factors are summarised below.

1. **Trivial commutation factors: tables x-501 to x-503.** The new factors are in force from 28 July 2023. Where a quotation was provided before 28 July 2023 and the nominated date was before 28 July 2023, use the old factors. In all other cases, use the new factors.

2. **Scheme pays (Annual allowance) factors: table x-605 and x-607 to x-612.** For a deferred or active member, if the election date was before 28 July 2023, use the old factors. If the election date is 28 July 2023 or later, use the new factors. If the member is over their Normal Pension Age (NPA), or if they make a Scheme pays election when their retirement figures are already being processed, use the Lifetime Allowance factors – see 4 below.

   The relevant date for Annual allowance purposes is the 'day coincident with the end of the pension input period'. For Annual allowance cases, it is not the relevant date which determines which factors are used, it is the Scheme pays election date.

3. **Factors for calculating Lifetime allowance debit: tables x-613 and x-614.** The Government has announced that no Lifetime allowance charges will apply in 2023/24 and the Lifetime allowance will be abolished completely from 6 April 2024. The LTA factors are still required as they are used to calculate certain Annual allowance Scheme pays debits.

   Active or deferred member over their NPA on the relevant date: If the Scheme pays election is made before 28 July 2023, use the old factors. If it is made on or after 28 July 2023, use the new factors.

   The Scheme pays election is made when the retirement figures are already being processed: if the Scheme pays election date and the retirement date are before 28 July 2023, use the old factors. In all other cases, use the new factors.

You can find links to the factor spreadsheets, transitional arrangements table and guidance on the Actuarial guidance page of www.scotlgpsregs.org.

Change in early retirement factors – resources updated

We have updated the following resources to reflect the new early retirement factors:

- Taking your pension page of the LGPS member website
- Retirement planning guide for members – version 1.3 published.

You can find the latest versions of our guides on the Administrator guides and documents page of www.scotlgpsregs.org.

Action for administering authorities
Update local versions of member guides and websites to reflect the new early retirement factors.

Supplementary lump sum at 55 factors

GAD has confirmed there is no need to provide supplementary lump sum at 55 factors (x-305 table) and has withdrawn this table in the latest version of the factor spreadsheet.

In previous versions of GAD guidance on cash equivalent values (CEVs) on divorce, the guidance provided factors and methodology to calculate CEVs for pensioner members aged less than 55 who retired in normal health. The supplementary lump sum at 55 factors were used for these cases.

However, the latest guidance no longer provides the methodology or under 55 factors. These cases should now be referred to GAD. As a result, the supplementary lump sum at 55 factors are no longer needed.

HMRC

Abolishing the lifetime allowance – consultation

On 18 July 2023, HM Revenue and Customs (HMRC) launched a consultation on abolishing the pensions lifetime allowance. The consultation includes draft legislation that aims to:

- abolish the lifetime allowance from pension legislation from 6 April 2024
- limit the amount of tax-free cash an individual can receive to a maximum of £268,275, unless they hold valid lifetime allowance or lump sum protection
- limit the total amount of lump sums an individual can receive before marginal rate taxation applies to £1,073,100 unless they hold a valid lifetime allowance protection, and.
- clarify how lump sums and lump sum death benefits will be taxed in the absence of the LTA.

We will respond to the consultation before it closes on 12 September 2023.

Contact for HMRC McCloud processes

HMRC will be launching tools and resources for members affected by the McCloud remedy and past pension tax charges. It is vital that each administering authority provides HMRC with a named contact to receive information about the process.

Thank you to those administering authorities which have already provided a named contact to HMRC in response to the article in Bulletin 239.

Action for administering authorities
Contact publicservicepensionsremedy@hmrc.gov.uk with details of a named contact at your administering authority for McCloud tax issues if you have not already done so.

Pension schemes newsletter 152

On 20 July 2023, HMRC published Pension schemes newsletter 152. The newsletter includes articles about:

- the abolition of the lifetime allowance
- QROPS transfer statistics
- the purpose of a registered pension scheme and HMRC's power to de-register a scheme that does not meet the requirement.

Pensions dashboards

Pensions Dashboards Amendment Regulations 2023

The Department for Work and Pensions (DWP) has laid the Pensions Dashboards (Amendment) Regulations 2023 [SI2023/858]. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type.

Staging dates – TPR expectations

The Pensions Regulator (TPR) has updated its 'Failing to comply with dashboards duties' guidance. The purpose of the updates is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable. The staging timetable will be set out in connection guidance.

TPR expects schemes to do the following to show that they 'have regard to the connection guidance':

- Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR.

- A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach.

- Although the timelines in guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. Amongst other considerations, this means that scheme managers:

    - should not make decisions about connection until they have engaged with the guidance
    - must be able to demonstrate that they have adequate governance and processes for making such decisions. The reasoning for the decisions should be clearly considered and documented, as should how relevant risks are identified, evaluated and managed
    - should make sure that they have access to all the relevant information before making decisions and acting on them. This includes engaging with those who are supporting them to develop a practical delivery plan. Clear and accurate audit trails need to be kept to demonstrate the decisions made, the reasons for them and the actions taken.

- A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity constraints and means savers can realise the benefits of pension dashboards as early as possible.

- Continuing to prepare for dashboards by engaging with those who will support them with their dashboards duties, such as integrated service providers and administrators to:

    - assess the potential impact of these changes on their schemes
    - agree a practical delivery plan, and
    - continue activity on getting to grips with member data.

New and updated PDP resources

The Pensions Dashboards Programme (PDP) has launched or updated the following resources:

- A new video introducing the dashboards available point. The dashboards available point is the date when pensions dashboards will be made available to the public.
- The Pensions dashboards development FAQs have been updated to reflect the new connection deadline announcement.
- The Connection deadline page has been updated to provide more information on the new approach to connection for pensions dashboards.

PASA updates data accuracy guidance

The Pensions Administration Standards Association (PASA) has published an updated version of its dashboards data accuracy guidance.

As we reported in Bulletin 227, the guidance was originally published in July 2022. The updated guidance reflects the dashboards reset. PASA encourages schemes to continue to review their data and take action to ensure that key matching data is both present and accurate.

TPR

Annual report and accounts for 2022/23

On 13 July 2023, TPR published its Annual report and accounts for 2022/23.

Other news and updates

Additional pension and Club transfers

The Cabinet Office has confirmed that additional pension bought by paying APCs should be transferred on Club terms when a Club transfer takes place. This is a change in approach since we queried this with the Cabinet Office in 2020. We reported the previous approach in Bulletin 199. We have already informed software suppliers of the change.

We will continue to engage with the DLUHC, SPPA and the Cabinet Office about issues arising from this change:

- Generally, there are no survivor benefits attached to additional pension bought by paying APCs, but survivor benefits would be payable from the receiving scheme if the additional pension transfers on Club terms. APCs to buy 'lost' pension in the LGPS in Scotland already provide survivor benefits.
- Further information is needed on how additional pension bought by a member protected by the McCloud remedy will be treated on transfer.
- We have asked Cabinet Office to share their guidance consistently and regularly.

The response to our query from Cabinet Office is below:

> “I can confirm that the guidance relating to the transfer of added pension bought in one of the schemes made under the Public Service Pension[s] Act 2013 has changed recently. It is now our advice that such benefits should be included with the member's normally accrued benefits and transferred on Club terms. The reason for this move away from the way added pension bought in the pre-2015 pension schemes is dealt with was that those earlier schemes were almost all final salary schemes, with added pension being a clearly defined separate element to the normal benefits accrued in those schemes. By contrast, added pension bought in the post-2015 schemes is simply added to the normal pension accrued, rather than being an entirely separate element. Furthermore, in recent years it has become increasingly common for Club schemes to be unwilling to accept non-Club transfers, meaning that the added pension element would need to either be preserved in the sending scheme, or transferred to another pension scheme (which, itself, is not generally possible following HMT's ban on transfers from unfunded public service schemes to DC arrangements).”

Any additional pension bought through an ARC contract that started before 1 April 2014 (1 April 2015 in Scotland) transfers on non-Club terms, as set out in paragraphs 7.26 and 7.27 of the Public Sector Transfer Club memorandum.

Action for administering authorities
Review your processes and systems to ensure that any APCs are treated correctly when you complete a Club transfer.

Communications Working Group minutes published

We have published the minutes of the Communications Working Group meeting held on 6 July 2023. At the meeting the Group discussed:

- member website
- accessibility and accessibility audits
- member engagement
- latest regulatory updates and developments expected
- the cost of living crisis
- McCloud resources.

You can find the minutes from this and earlier meetings and the Group’s workplan on the:

- Communications Working Group page of www.lgpsregs.org and
- Communications Working Group page of www.scotlgpsregs.org.

Finance (No.2) Act receives Royal Assent

The Finance (No.2) Act 2023 received Royal Assent on 11 July 2023. The Act delivers the tax changes announced in the Spring Budget, including:

- no lifetime allowance tax charges for the 2023/24 year or any future year
- certain lump sums to be taxed at the marginal rate
- changes to lifetime allowance protections
- increase in the annual allowance to £60,000
- changes to the tapered annual allowance and money purchase annual allowance.

Transfer from Standard Life to Phoenix Life

Standard Life is proposing to transfer all business to Phoenix Life Limited. Standard Life has been part of Phoenix Group since 2018. Standard Life have published FAQs about the transfer. If Standard Life is your AVC provider, you have the right to raise your concerns about the transfer or object in the Hight Court in London or the Court of Session in Edinburgh. Subject to the approval of the Courts, the transfer is expected to happen in October 2023.

LGPS Frameworks – provision of AVC services

National LGPS Frameworks intends to launch a new framework for AVC services later this year. They have recently published a Prior Information Notice for the AVC framework.

The purpose of the prior information notice is to inform providers about the opportunity and express an interest in the project. We have already shared this information with all current AVC providers operating within the LGPS.

Training

Webinar – changes to Pensions Administrator Apprenticeship

The Workplace Pensions (Administrator) Apprenticeship is being replaced by the Pensions Administrator Apprenticeship from 12 August 2023. The apprenticeship will be available in England.

The Pensions Administrator Apprenticeship Trailblazer group is running a webinar on 3 August 2023 from 11am to 12pm to explain more about the new apprenticeship standard. The webinar will cover end point assessment and funding and will feature a panel session with previous apprentices.

Lisa Clarkson shared joining details with administering authorities by email on 27 July 2023. Joining details for the webinar were also included in the email we used to notify you about this bulletin.

You can read more about the Pensions Administrator Apprenticeship on the Institute for Apprenticeships and Technical Education website.

Action for administering authorities (England)
If you wish to attend the webinar at 11am on 3 August 2023, use the joining instructions that were sent in the bulletin notification email. If you cannot access that email, please contact training.lgps@local.gov.uk and include 'Apprenticeship webinar' as the subject. We will send you joining instructions by email.

Apprenticeship and qualification: next steps survey

The LGA is looking at ways to help administering authorities access relevant pensions administration apprenticeships and qualifications. We have been busy researching how we can do this and have put together an LGPS apprenticeship and qualification proposal setting out our plan for England and Wales. We would like you to review the proposal and let us have your views by completing the Apprenticeship and qualification: next steps survey.

The proposed approach will involve significant resource from the LGA pensions team. Therefore, we will only proceed with the proposal if 75 per cent of administering authorities in England and Wales agree to it in principle. You can tell us whether you support the proposal by completing the survey.

The survey should be completed by the organisation that provides the pensions administration for your administering authority. If your authority has outsourced administration, the third party administrator should complete it. If your administration is delivered by a shared service provider, the provider should complete it. If you are a third party administrator or shared service provider, please only complete the survey once for all the funds you administer.

We only require one response per organisation.

Action for administering authorities (England and Wales)
Complete the Apprenticeship and qualification: next steps survey before 25 August 2023.

Fundamentals training 2023

Our Fundamentals training for 2023 is now open for booking.

Fundamentals is a three-day training course aimed at elected members and others who attend pension committees and local pension boards. Past delegates also include trade union and employer representatives, and officers who support committees and boards. The course provides a scheme overview and covers current issues relating to administration, investments and governance of the LGPS. All sessions are delivered by experts in their field.

We are running the in-person training in two locations - London and Manchester, and online. See the course programme for full details – the timings shown only apply to the in-person sessions.

We have listened to feedback and will be delivering each day of the online sessions over two days. You only need to complete one booking per day – this will automatically book you on both of the half days. It is not possible to book for a half day. The online sessions will be delivered using Zoom.

Attending all three days will help delegates meet the relevant requirement for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.

Cost

In person - £280 plus VAT per session. The price is inclusive of lunch and refreshments.

Online - £240 plus VAT per session.

We recommend early booking as places are limited. You can book online through the LGA events page. We are unable to take manual bookings. Please find links to book the individual sessions below.

Fundamentals Day 1 Manchester, 5 October 2023 Piccadilly Hotel
Fundamentals Day 1 London, 12 October 2023 LGA offices
Fundamentals Day 1 online, 19/26 October 2023

Fundamentals Day 2 London, 2 November 2023 LGA offices
Fundamentals Day 2 Manchester, 8 November 2023 Piccadilly Hotel
Fundamentals Day 2 online, 16/23 November 2023

Fundamentals Day 3 London, 5 December 2023 LGA offices
Fundamentals Day 3 Manchester, 13 December 2023 Piccadilly Hotel
Fundamentals Day 3 online, 11/19 December 2023.

Retirement training

Retirement training is open for bookings. There are two sessions with spaces available:

Retirement training – 24 October, London
Retirement training – 31 October, online.

The training is aimed at pension administration staff in England and Wales.

Bookings are on a first come, first served basis. For fairness, each course is capped at five delegates per organisation. Cost is £240 (plus VAT) per person for online training and £280 (plus VAT) for in person training.

Please email elaine.english@local.gov.uk if you are not able to secure a place on the online course. We will consider running additional online training depending on demand. You can also commission face to face and online training for your region – please see Bulletin 239 for details.

Wider landscape

Government responds to McCloud remedy consultations

The Government has responded to three consultations on provisions needed to implement the retrospective McCloud remedy. Use the links below to visit the consultation pages which include the Government responses, the original consultation documents and draft regulations:

Consultation outcome: Firefighters' Pension Scheme retrospective remedy (England)

Consultation outcome: Police Pension Scheme retrospective remedy (England and Wales)

Consultation outcome: Teachers' Pension Scheme retrospective remedy (England and Wales).

Mansion House Speech 2023

On 10 July 2023, the Chancellor delivered a speech at Mansion House. The Chancellor announced a number of measures aimed at increasing returns for savers and encouraging growth.

The announcements included launching a consultation on accelerating the consolidation of LGPS assets in England and Wales. See the earlier article on the Consultation on LGPS investment reforms for more information.

The speech also included proposals for the DC sector, including:

- industry-led compact committing to allocating at least 5 percent of default funds to unlisted equities by 2030
- FCA and TPR to publish a new value for money framework
- progress on small pots and decumulation
- consultation on whole-life multi-employer Collective Defined Contribution (CDC) schemes.

Legislation

Acts

Finance (No.2) Act 2023 [2023/30]

Statutory Instruments

The Public Service Pensions and Judicial Offices Act 2022 (Commencement No. 2) Regulations 2023 [SI2023/746]

The Police Pensions (Remediable Service) Regulations 2023 [SI2023/831]

The Firefighters Pensions (Remediable Service) Regulations 2023 [SI2023/843]

The Pensions Dashboards (Amendment) Regulations 2023 [SI2023/858]

The Teachers' Pension Scheme (Remediable Service) Regulations 2023 [SI2023/871]

Useful links

LGPS member website (England and Wales)

LGPS 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 and one of the team's LGPS pension advisers will get back to you.

Joanne Donnelly (Head of Pensions)
Telephone: 07464 532613
Email: joanne.donnelly@local.gov.uk

Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)
Telephone: 07766 252847
Email: lorraine.bennett@local.gov.uk

Jayne Wiberg (Pensions Adviser – LGPC Secretariat)
Telephone: 07979 715825
Email: jayne.wiberg@local.gov.uk

Rachel Abbey (Pensions Adviser – LGPC Secretariat)
Telephone: 07827 307003
Email: rachel.abbey@local.gov.uk

Steven Moseley (Pensions Adviser – LGPC Secretariat)
Telephone: 07780 227059
Email: steven.moseley@local.gov.uk

Karl White (Pensions Adviser (Training) – LGPC Secretariat)
Telephone: 07464 652886
Email: karl.white@local.gov.uk

Lisa Clarkson (Pensions Adviser (Employer) – LGPC Secretariat)
Telephone: 07464 532596
Email: lisa.clarkson@local.gov.uk

Jeremy Hughes (Senior Pensions Secretary - LGPS Scheme Advisory Board (E&W))
Telephone: 07960 513946
Email: jeremy.hughes@local.gov.uk

Ona Ehimuan (Pensions Secretary (Governance and Digital) – LGPS Scheme Advisory Board (E&W))
Telephone: 07501 088144
Email: ona.ehimuan@local.gov.uk

Becky Clough (Board Support and Policy Officer – LGPS Scheme Advisory Board England & Wales)
Telephone: 0207 6643044
Email: becky.clough@local.gov.uk

Gareth Brown (Research and Data Analyst – Pensions)
Telephone: 07785 407657
Email: gareth.brown@local.gov.uk

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Further information

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Whilst every attempt is made to ensure the accuracy of the bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions by emailing query.lgps@local.gov.uk.

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LGPC Bulletin 241 – August 2023

This bulletin contains updates for all LGPS stakeholders. It includes important articles on the following which need action by administering authorities:

- finance and political contacts for SAB England & Wales – please review
- LGPS qualification survey results – respond if you have not already
- aggregation leaflets and template letters published – consider whether to use them
- ill health retirement bite-size training published – inform employers
- strike action FAQs published (England & Wales) and (Scotland) – inform employers and publicise FAQs
- second set of rectification regulations laid – review and implement
- commissioning retirements training – discuss in pension officer groups

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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Local Government Association

Recruiting for an LGPS Training and Development Adviser

We are recruiting for an LGPS Training and Development adviser. This is a newly created role and can be home based or office (London) based. The closing date for applications is 24 September 2023. Interviews will be held virtually on 10 October 2023.

The successful candidate will join the training section of the LGPS team. They will be responsible for leading on a project to deliver an LGPS specific qualification as well as developing and delivering training to pension administrators, employers, councillor and local pension board members.

For more information and to apply, see the relevant page of the Jobtrain website.

If applicants would like an informal chat about the role, please contact Lorraine Bennett.

LGPS England & Wales Scheme Advisory Board (SAB)

2022 Scheme valuation report

On 10 August 2023, the SAB published its 2022 Scheme valuation report. The report is compiled from data drawn from local fund valuation reports. It shows:

- the average funding level has improved from 98 per cent in 2019 to 107 per cent in 2022 (on local funding bases) – all fund valuation reports show an improvement since 2019
- the average contribution rate to meet future service costs rose from 18.6 per cent of payroll in 2019 to 19.8 per cent of payroll in 2022
- overall contribution rates fell from 22.9 per cent of payroll in 2019 to 21.1 per cent of payroll in 2022 – this reflects lower deficit contributions
- employee contribution rates marginally increased from 6.5 per cent of pay to 6.6 per cent.

The report also looks at the main assumptions used by administering authorities in their 2022 valuations, looking at trends around the setting of the discount rate, life expectancy and future expectations for inflation and salary increases.

The SAB thanks Barnett Waddingham for its help in drafting the report.

Cost transparency roadshows

The SAB secretariat is running a series of free training sessions on investment cost transparency. These are for local pension board members, committee members and fund officers.

The sessions will provide:

- an explanation of the purpose and background of SAB's ground-breaking code of transparency
- a case study from an administering authority on how investment cost information is used
- a troubleshooting session for officers on how to use the online reporting system
- a facilitated discussion for officers on the information they should be receiving and how this information should be reported to pension boards and committees.

You can book online using payment code 'SAB2023' through the LGA events page. Links to individual sessions are below:

- 12 September 2023 – Wolverhampton 2.00pm to 5.00pm
- 13 September 2023 – Leeds 2.00pm to 5.00pm
- 21 September 2023 – Edinburgh 11.30am to 3.00pm
- 26 September 2023 – Cardiff 12 noon to 3.00pm
- 28 September 2023 – online 10.00am to 12.00noon
- 18 October 2023 – London 10.00am to 1.00pm

At the online session on 28 September 2023, there will be no opportunity to address individual issues with accessing or using the Byhiras system.

We encourage members and officers to sign up to attend a session wherever possible. Please contact the SAB Secretariat if you have any queries or issues booking your place.

Finance and political contacts - update

The SAB Secretariat would be grateful if all administering authorities would review their finance and political contacts on 'Your LGPS Contacts' as soon as possible.

The SAB secretariat has been receiving a high volume of undeliverable messages when sending emails using the finance and political contacts.

Administering authorities are responsible for maintaining their contacts details on 'Your LGPS Contacts'. Authorities should regularly review their details to ensure they remain accurate and up to date.

Action for administering authorities
Review and update your finance and political contacts on 'Your LGPS contacts'.

Gender pensions gap working group

Following on from the LGPS gender pensions gap reports (see Bulletin 240), the SAB is setting up a small working group to consider next steps. The group will be looking at key areas such as:

- are there any in-scheme changes that would help address the levels of inequality – for example around the ability to buy back service
- can employers be directed to best practice in managing the career paths of those who take time off for caring responsibilities
- how to communicate with members to ensure they are informed about the potential pension implications of the career choices they make
- how to mainstream this kind of analysis to properly evaluate "what works" and how much is left to do.

If you are interested in taking part in the working group, please contact the SAB Secretariat directly.

Surpluses working group

The SAB plans to set up a small working group to look at the issues presented by the improving funding position across the Scheme. The objective is to provide general advice for administering authorities and employers that are in surplus or are likely to become so.

The kinds of issues this raises include:

1. What impact could / should being in surplus have on employer contributions?
2. When is it appropriate to set a negative secondary contribution rate?
3. What impact could / should being in surplus have on investment and funding strategies? While open defined benefit schemes may not need to de-risk, some:

    - employers in the scheme might prefer such a strategy
    - funds may be looking at a different strategy that enables them to realise more of their surplus.

4. How to best communicate being in a surplus position to employers and member representatives? Are communications needed for:

    - admitted bodies which could exit and have received their international accounting standard 19 figures showing substantial surpluses
    - scheduled bodies which cannot exit but still have questions about the benefits of a surplus position.

If you are interested in discussing how to take part in the group, please contact the SAB Secretariat directly.

Website

The SAB's website provides information about the Board's work. Use the links below to find out more about:

- latest news
- SAB meeting and agenda papers
- committee meetings and agenda papers
- Responsible Investment Advisory Group meetings and agenda papers.

LGPS England & Wales

LGPS qualification survey results

In bulletin 240, we informed you we are proposing to work with the Pensions Management Institute to produce an LGPS specific qualification. As this will involve significant resource from the LGA, we confirmed we will only proceed with the proposal if 75 per cent of administering authorities in England and Wales agree to it in principle.

We asked the organisation providing the pensions administration for your authority to let us know if they support the proposal by reading the LGPS apprenticeship and qualification proposal and then completing the Apprenticeship and qualification: next steps survey.

We received 59 responses to the survey representing 68 per cent of administering authorities. Although all the responses were in support of the proposal, we do not have the necessary 75 per cent to proceed. We have extended the closing date of the survey to 8 September 2023 and strongly encourage those who have not yet responded to do so. To check if your authority has responded see the list of non-respondents.

The survey should be completed by the organisation that provides the pensions administration for your administering authority.

We only require one response per organisation.

Action for administering authorities
If you authority has not responded, complete the Apprenticeship and qualification: next steps survey before 8 September 2023.

Aggregation leaflets and template letters published

On 8 August 2023, Rachel Abbey emailed administering authorities ('authorities') letting them know we have published new aggregation leaflets and template letters ('the documents'), for members.

The documents include information we recommend is provided to members with an aggregation option. They are published in Word, so authorities can easily create their own versions.

We created the documents to be sent in paper form. Authorities will need to make changes to reflect local processes, such as electronic communications. We have not made adjustments for accessibility or positioning of page breaks, as these are affected by the communication format and any branding or additional information added.

The documents should be read together with our aggregation technical guide.

These documents were produced in conjunction with the Communications Working Group. We thank members for giving their time and expertise.

You can access the documents and aggregation technical guide on the Administrator guides and documents page of www.lgpsregs.org.

Action for administering authorities
Consider whether to use the new leaflets and template letters.

Ill health retirement bite-size training

On 8 August 2023, Lisa Clarkson emailed authorities letting them know we have published ill health retirement bite-size training for employers.

The training is free and interactive. It covers the ill health retirement process, including the criteria, decision-making process and benefits payable. There are

separate courses covering active and deferred members. Text only versions are also available.

You can find the training on the employer bite-size training page of www.lgpsregs.org.

Action for administering authorities
Let your employers know about the training.

Strike action FAQs published

On 8 August 2023, Lisa Clarkson emailed administering authorities letting them know we have published employer and member frequently asked questions (FAQs) about strike action. The FAQs cover the common questions asked when LGPS members take strike action.

You can access the:

- employer FAQs on the employer guides and documents page of www.lgpsregs.org
- member FAQs on the frequently asked questions page of www.lgpsmember.org.

Action for administering authorities
Let your employers know about the employer FAQs and publicise the member FAQs.

LGPS Scotland

Strike action FAQs published

On 8 August 2023, Lisa Clarkson emailed administering authorities letting them know we have published employer and member frequently asked questions (FAQs) about strike action. The FAQs cover the common questions asked when LGPS members take strike action.

You can access the:

- employer FAQs on the employer guides and documents page of www.scotlgpsregs.org
- member FAQs on the frequently asked questions page of www.scotlgpsmember.org.

Action for administering authorities
Let your employers know about the employer FAQs and publicise the member FAQs.

HMRC

Second set of rectification regulations laid

On 17 August 2023, the Government laid The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. The regulations come into force on 14 September 2023. See bulletins 238 and 239 for more information.

The regulations address issues not dealt with by the first set of regulations (The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023). As is relevant for the LGPS, the second set of regulations:

- ensure previously paid small pot payments or trivial commutation lump sum death benefit payments, do not become unauthorised due to the McCloud remedy (regulations 8 and 10)
- subject to conditions, they authorise top-ups to previously paid small pot payments due to the McCloud remedy in respect of members who have since died after receiving the original payment (regulation 9)
- subject to conditions, they authorise arrears of survivor pensions due to the McCloud remedy where the survivor has since died or where the survivor was an eligible child and no longer meets the definition (regulation 11)
- ensures reductions to pensions in payment due to the McCloud remedy, do not cause the pension to become unauthorised (regulation 14)
- sets out how to treat lifetime allowance excess lump sums where, due to the McCloud remedy, all or some of the lump sum no longer meets the required conditions (regulation 16)
- sets a deadline of 1 April 2027 for administering authorities to apply to HMRC for repayment of overpaid annual allowance charges, as result of the first set of regulations removing the underpin from annual allowance calculations (regulation 27)
- sets out provisions regarding administration, such as a separate reporting framework instead of Self-Assessment (part 6).

For more information on the second set of regulations, see guidance from HMRC. However, this guidance has not been updated to reflect the final version of the

regulations. To complement the guidance and explain any changes due to consultation feedback, on 18 August 2023 HMRC published a public service pensions remedy newsletter. The newsletter covers:

- reporting of annual allowance tax charge for 2022 to 2023
- scheme administrator applications for repayment of overpaid tax
- lifetime allowance excess lump sum that is no longer a lifetime allowance excess lump sum due to the remedy
- changes consequential to the Finance (No.2) Act 2023.

You can access the regulations, consultation documents and our response on the non-scheme consultations pages of www.lgpsregs.org and www.scotlgpsregs.org.

Action for administering authorities
Assess the impact of the regulations and implement accordingly.

Pensions dashboards ('dashboards')

Deferred connection guidance updated

On 9 August 2023, the Department for Work and Pensions (DWP) updated the deferred connection guidance and forms.

The updates reflect the changes made by the Pensions Dashboards (Amendment) Regulations 2023, which came into force on 9 August 2023. In particular, the changes made to the connection deadline and the deferred connection rules. The connection deadline for all relevant schemes is 31 October 2026.

The guidance is for trustees and managers of relevant occupational pension schemes wishing to apply to defer connection beyond 31 October 2026. It sets out the rules, issues to consider, how to apply and how DWP will consider applications.

The latest date for applying is 8 August 2024.

PDP latest news

In August 2023, the Pensions Dashboards Programme (PDP) published its August newsletter. There are articles on:

- the reset
- Financial Conduct Authority updated rules
- frequently asked questions on pensions dashboards

- inviting PDP to an event.

TPO

Incorrect information member factsheet

On 31 July 2023, the Pensions Ombudsman (TPO) published a member factsheet called 'Incorrect information'.

The factsheet outlines what members should do if they have a complaint about receiving incorrect information.

TPR

McCloud - ABS 2023 to 2025

On 30 August 2023, the Pensions Regulator (TPR) has published guidance on annual benefit statements (ABS) for 2023 to 2025 for public service schemes.

The guidance is primarily aimed at those schemes who will need to send remediable service statements to members affected by the McCloud remedy. LGPS administering authorities will not need to this.

TPR acknowledges the need for schemes to send these statements over the next two years may impact on their ability to produce accurate, complete and timely annual benefit statements.

The guidance sets out TPR's expectations. TPR accepts meeting the disclosure requirements due to the McCloud remedy may be challenging. As a result, they will take a risk-based, practical approach when assessing ABS breaches during 2023 to 2025.

Other news and updates

Communications working group – McCloud resources

We are working with the Communications working group to produce member resources relating to the McCloud remedy. We will publish these as soon as we are able, but some details will need to be finished when we see the final regulations. It is likely we will publish some of the resources on 1 October 2023, once the amended regulations are in force.

We wanted to take this opportunity to let administering authorities know what resources we will be providing. We hope this will help prioritise what to produce locally. We are working on:

- dedicated areas of the member websites (www.lgpsmember.org and www.scotlgpsmember.org) including information about the McCloud remedy, a video, frequently asked questions and an interactive tool for members to find out if they are affected
- a member factsheet in Word format that administering authorities can edit and adapt for their own use
- template paragraphs to add to existing member letters outlining how the McCloud remedy affects the calculation
- templates of new letters that will be needed for members affected by the McCloud remedy who have already left the LGPS.

Data guidance on DB benefit accuracy

On 14 August 2023, the Pensions Administration Standards Association (PASA) published new data guidance on benefit accuracy for defined benefit (DB) schemes.

PASA previously issued guidance focused on data quality and they are now building on this by focusing on benefit accuracy.

Government Actuary appointed

On 2 August 2023, HM Treasury announced the appointment of Fiona Dunsire as the new Government Actuary. Fiona will join the Government Actuary's Department later in 2023 on a five-year fixed term appointment.

For more information, see the press release.

MaPS publish 2023/24 corporate plan

On 17 August 2023, the Money and Pensions Service (MaPS) published its 2023/24 corporate plan.

The plan outlines five priority themes designed to help MaPs deliver its main services and to help savers get the guidance and advice they need on money, debt and pensions.

MaPS publish review into pension scams

On 10 August 2023, the Money and Pensions Service (MaPS) published its evidence review into pension scams in the UK.

The key findings are:

- there remain significant challenges to estimate the scale of the problem
- the types of scams and tactics are very similar to investment scams
- the financial and emotional cost to individuals is high, going beyond financial loss and impacting on health and relationships
- scams can happen to anyone
- once an individual has been targeted, there is a high risk of retargeting
- government bodies, administrators and other organisations have at their disposal a range of touchpoints to provide strong protection against scams.

Training

Fundamentals training 2023

Our Fundamentals training for 2023 is open for booking.

Fundamentals is a three-day training course aimed at elected members and others who attend pension committees and local pension boards. Past delegates have also included trade union and employer representatives, and officers who support committees and boards. The course provides a scheme overview and covers current issues affecting administration, investments and governance of the LGPS. All sessions are delivered by experts in their field.

See the course programme for full details – the timings shown only apply to the in person sessions. We are running the training in person in two locations - London and Manchester, and online.

We have listened to feedback and will be delivering each day of the online sessions over two days. You only need to complete one booking per day – this will automatically book you on both of the half days. It is not possible to book for a half day. The online sessions will be delivered using Zoom.

Attending all three days will help delegates meet the relevant requirement for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.

Cost

In person - £280 plus VAT per session. The price is inclusive of lunch and refreshments.

Online - £240 plus VAT per session.

We recommend early booking as places are limited. You can book online through the LGA events page. We are unable to take manual bookings. Please find links to the individual sessions below.

- Day 1 Manchester, 5 October 2023 location to be confirmed
- Day 1 London, 12 October 2023 LGA offices
- Day 1 online, 19/26 October 2023
- Day 2 London, 2 November 2023 LGA offices
- Day 2 Manchester, 8 November 2023 location to be confirmed
- Day 2 online, 16/23 November 2023
- Day 3 London, 5 December 2023 LGA offices
- Day 3 Manchester, 13 December 2023 location to be confirmed
- Day 3 online, 11/19 December 2023.

Retirements training

The retirements training course (LGPS England and Wales) is open for booking. Although the online courses are fully booked there are places available on the face to face day in London. You can view the programme and book using the link below.

- London - 24 October 2023 LGA offices

Bookings are on a first come, first served basis. For fairness, each course is capped at five delegates per organisation. The face to face training is £280 plus VAT.

Please email elaine.english@local.gov.uk if you were not able to secure a place on the online courses. We will consider running additional online training depending on demand. You can also commission face to face and online training for your region – see below.

Commissioning retirements training

In Bulletin 234 we informed you we would only arrange regional face to face training where it is commissioned by pension officer groups (POGs) or individual administering authorities. We are also happy to consider requests for online training in this way.

If you would like to commission training in your region you should discuss this with your POG. You will need to decide:

- whether you want the training to be delivered online or face to face
- the location if face to face

- whether the group will arrange the venue and catering or if you would like the LGA to do this
- how many delegates will attend.

The daily costs are as follows:

- where the group organises the venue and catering: £3,640 plus VAT
- where we provide the venue and catering: £4,200 plus VAT
- online event: £3,360 plus VAT.

POGs wishing to make a request should email elaine.english@local.gov.uk. We cannot guarantee that we can cater for all requests; but we will do our best to meet demand.

Action for administering authorities
Discuss your training requirement with your POG and contact Elaine English with any requests.

Webinar – changes to Pensions Administrator Apprenticeship

On 3 August 2023, the Pensions Administrator Apprenticeship Trailblazer group ran a webinar to explain more about the new apprenticeship standard.

The webinar covered end point assessment and funding and featured a panel session with previous apprentices.

The group has published a recording of the webinar.

Wider landscape

McCloud consultation - Civil Service Pension Scheme

On 7 August 2023, the Cabinet Office published their consultation response on draft regulations implementing the McCloud remedy in the Civil Service Pension Scheme. The consultation closed on 14 May 2023.

For more information, see the relevant page of www.gov.uk.

Legislation

Statutory Instruments

The Public Service Pensions Schemes (Rectification of Unlawful Discrimination) (Tax) (No. 2) Regulations 2023 [SI2023/912]

Useful links

LGPS member website (England and Wales)

LGPS 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 team

Raising a query

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you. To avoid delays in receiving a response, please do not email advisers directly.

Team contacts

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Further information

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Disclaimer

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Whilst every attempt is made to ensure the accuracy of the bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions by emailing query.lgps@local.gov.uk.

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LGPC Bulletin 242 – September 2023

This bulletin contains updates for all LGPS stakeholders. It includes important articles on the following which need action by administering authorities:

- Finance and political contacts for SAB England & Wales – please review
- McCloud update (England and Wales) and McCloud update (Scotland) – review documents available and start to implement
- Contact for HMRC McCloud processes – reminder – provide contact details to HMRC
- Scams reporting campaign – remember to report any suspicions.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

Code of transparency roadshows – second London session cancelled

The SAB Secretariat has recently run free regional training sessions on investment cost transparency for local pension board and committee members, as well as fund officers.

The sessions took place in London, Manchester, Wolverhampton, Leeds, Edinburgh, Cardiff and online. They were very successful and insightful for both delegates and the Board.

The SAB Secretariat had planned to run another session on 18 October in London; however, this has had to be cancelled to accommodate the Secretariat's workstreams.

The Board thanks everyone who attended for their invaluable feedback. It will collect this feedback and share it with practitioners in due course.

Finance and political contacts - update

The SAB Secretariat would be grateful if all administering authorities would review their finance and political contacts on 'Your LGPS Contacts' as soon as possible.

It has been receiving a high volume of undeliverable messages when sending emails using these contacts.

Administering authorities are responsible for maintaining their contacts details on 'Your LGPS Contacts'. Authorities should regularly review their details to ensure they remain accurate and up to date.

Action for administering authorities

Review and update your finance and political contacts on 'Your LGPS contacts'.

Investment issues consultation: key messages from the Board

The Board has published a statement setting out some key principles that will form the basis of its response to the Department for Levelling Up, Housing and Communities (DLUHC) consultation on investment issues.

The statement confirms that the Board welcomes the consultation and will engage fully and positively with DLUHC, administering authorities and pools to build as broad a consensus as possible on the way forward. It then goes on to set out key principles on investment pooling, levelling up and the proposed private equity target.

The Board will submit a full response to the consultation, which closes on 2 October 2023.

Update on SAB's cost control mechanism

The Board is considering its own cost control mechanism following changes made to HM Treasury's mechanism. The assumptions on which this process is based are currently being agreed.

HM Treasury changed its mechanism after a review by the Government Actuary and public consultation. We covered the changes in Bulletin 215.

Working group membership update

The Board recently asked for volunteers for two working groups. One group will decide what to do next after the publication of the Gender Pensions Gap report commissioned by the SAB. The other group will deal with the possible issues that may arise from more funds being in surplus.

Many practitioners showed interest in both working groups and they now have full membership.

The Board thanks all those who have volunteered their time to be involved in these important workstreams. The first meetings will take place in October 2023.

Website

The SAB's website provides information about the Board's work. Use the links below to find out more about:

- latest news
- SAB meeting and agenda papers
- committee meetings and agenda papers
- Responsible Investment Advisory Group meetings and agenda papers.

LGPS England & Wales

McCloud update

Consultation outcome and regulations laid
The Department for Levelling Up, Housing and Communities (DLUHC) announced the outcome of the consultation on supplementary McCloud issues and draft regulations on 8 September 2023. It also laid The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023, which take effect from 1 October 2023. Lorraine Bennett emailed administering authorities on 11 September 2023 to let them know.

DLUHC issued a correction slip to the regulations on 20 September 2023 to fix a couple of minor typographical errors.

The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly. Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. It also makes some related changes to the LGPS Regulations 2013. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2014 and 30 September 2023. We will shortly update the timeline regulations on www.lgpsregs.org.

You can find the consultation documents, including our response, on the Scheme consultations page of www.lgpsregs.org.

Statutory guidance for administering authorities
After the regulations come into force, administering authorities will need to consider a range of McCloud-affected cases. To encourage a broadly consistent approach, DLUHC will shortly provide statutory guidance on how authorities should prioritise this work.

It is also in the process of setting up an implementation group to decide what other statutory guidance is needed.

The Government Actuary's Department is updating actuarial guidance to reflect the changes and DLUHC will publish this as soon as it is available.

McCloud member factsheet
DLUHC published a new version of the McCloud member factsheet with the consultation response. The new version reflects the final regulations.

LGA support
We are:

- looking at the regulations and will provide administrator guidance in the next few weeks
- working on member communications – see Bulletin 241 for more information.

We also plan to run McCloud online pension surgeries at the end of October. We will give more details soon.

Pensions software
We recommend you check your software supplier's timetable for implementation and make use of any training they are offering on the changes.

Transfers out
If a member qualifies for underpin protection, the method for calculating a transfer out will be different from 1 October 2023. This method will be set out in actuarial guidance which has not yet been published. You will need to put these transfers on hold until the guidance is published.

Club transfers
There will be significant changes to the Club rules to reflect the McCloud remedy from 1 October 2023. There will be changes to the calculation and to the information that will need to be exchanged when a member protected by the McCloud remedy transfers between Club Schemes. The Club memorandum is currently being updated to reflect these changes.

You will need to suspend calculating Club transfers in and out where the member is protected by the McCloud remedy until the revised Club memorandum is published. Where a member is not protected, you can continue to process Club transfers.

The Club factors have also been revised as part of the SCAPE rate review. The Cabinet Office has already shared these with pension software suppliers. We are awaiting confirmation on whether the effective date will be 1 or 2 October 2023. These new factors will apply to all Club transfers.

When deciding if a member is protected, you will need to consider that a member can qualify for protection on unaggregated LGPS and other public service pension scheme membership.

Further consultation
Further regulations to implement the remedy will be needed, primarily for excess teacher service. DLUHC will publish a technical consultation on these changes in 2024.

Action for administering authorities
Review the documents available and start implementing the remedy.

LGPS Scotland

Investment regulations updated

The Scottish Government laid The Local Government Investments (Scotland) Amendment Regulations 2023 on 11 September 2023. These regulations take effect from 6 November 2023.

The regulations update the Local Government Investments (Scotland) Regulations 2010 by referring to the most recent versions of the codes of practice that administering authorities must have regard to for borrowing and treasury management.

McCloud update

Regulations laid
The Scottish Government laid The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 on 30 August 2023. They come into force on 1 October 2023.

The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly. Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014. It also makes related changes to the LGPS (Scotland) Regulations 2018. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2015 and 30 September 2023. We have updated the timeline regulations on www.scotlgpsregs.org.

The Scottish Public Pensions Agency (SPPA) consulted on the regulations from 26 June 2023 to 31 July 2023. We responded on 21 July 2023. SPPA told administering authorities in an email on 20 September 2023 that it will reply to the consultation soon. You can see the consultation documents, including our response, on the Scheme consultations page of www.scotlgpsregs.org.

Statutory guidance for administering authorities
In an email to administering authorities on 20 September 2023, SPPA said that:

- it knows the Department for Levelling Up, Housing and Communities will provide statutory guidance on how administering authorities should prioritise McCloud cases in England and Wales and plans to do the same
- the Government Actuary's Department is updating Scottish Ministers actuarial guidance to reflect the changes and SPPA will publish this as soon as it is available
- it will participate in the implementation group to decide what other statutory guidance is needed.

LGA support
We are currently:

- looking at the regulations and will provide administrator guidance in the next few weeks
- working on member communications – see Bulletin 241 for more information.

We also plan to run McCloud online pension surgeries at the end of October. We will give more details soon.

Pensions software
We recommend you check your software supplier's timetable for implementation and make use of any training they are offering on the changes.

Transfers out
If a member qualifies for underpin protection, the method for calculating a transfer out will be different from 1 October 2023. This method will be set out in actuarial guidance which has not yet been published. You will need to put these transfers on hold until the guidance is published.

Club transfers
There will be significant changes to the Club rules to reflect the McCloud remedy from 1 October 2023. There will be changes to the calculation and to the information that will need to be exchanged when a member protected by the McCloud remedy transfers between Club Schemes. The Club memorandum is currently being updated to reflect these changes.

You will need to suspend calculating Club transfers in and out where the member is protected by the McCloud remedy until the revised Club memorandum is published. Where a member is not protected, you can continue to process Club transfers.

The Club factors have also been revised as part of the SCAPE rate review. The Cabinet Office has already shared these with pension software suppliers. We are awaiting confirmation on whether the effective date will be 1 or 2 October 2023. These new factors will apply to all Club transfers.

When deciding if a member is protected, you will need to consider that a member can qualify for protection on unaggregated LGPS and other public service pension scheme membership.

Action for administering authorities
Review the documents available and start implementing the remedy

Revaluation date consultation update

Craig Finlay, Policy Officer at the SPPA, emailed administering authorities on 20 September 2023 with an update on the consultation to change the annual revaluation date from 1 April to 6 April.

SPPA has considered all feedback and plans to lay the regulations, as consulted on, as soon as possible. The regulations will apply retrospectively from 31 March 2023.

SPPA consulted on the changes from 14 March 2023 to 27 March 2023. We responded on 21 March 2023. You can see the consultation documents, including our response, on the Scheme consultations page of www.scotlgpsregs.org. For more details, see Bulletin 234A.

SAB September bulletin

The SAB recently published its September 2023 Bulletin.

The bulletin covers the following topics:

- regulation of investments
- gender pensions gap
- National Care Service
- CARE revaluation date
- training
- scheme cost management.

HMRC

Abolishing the LTA – our response

On 12 September 2023, we responded to the policy paper from HM Revenue and Customs (HMRC) on abolishing the lifetime allowance (LTA).

The Government announced in the Spring Budget 2023 that it will abolish the LTA completely from April 2024. HMRC then released draft legislation and a policy paper on 18 July 2023 to achieve this and asked for responses by 12 September 2023. We covered the consultation in Bulletin 240.

In our response, we said:

- we do not think the proposals simplify the pension tax regime for the local authority workforce and other LGPS employers
- having two limits for lump sums will be confusing for members
- the limit for pension commencement lump sums should go up with inflation (instead of being frozen)
- trivial commutation lump sums should not be part of the £1.073 million limit
- it will be difficult to get relevant information from members
- there is no rule on how to value lump sums paid before 6 April 2006
- there is not enough time to implement the changes for April 2024, especially for public service schemes who are already busy implementing the McCloud remedy
- it will be tough to explain the changes to members as the policy, in our view, is confused and unclear.

You can see the consultation documents, including our response, on the non-scheme consultations pages of www.lgpsregs.org and www.scotlgpsregs.org.

Contact for HMRC McCloud processes – reminder

We let you know in Bulletin 240 that HMRC will be launching tools and resources for members affected by the McCloud remedy and past pension tax charges.

HMRC let us know that not all administering authorities have provided a named contact to receive information about the process. Thank you to the administering authorities that have already provided a named contact.

Rachel Abbey emailed pension managers of those administering authorities that have not provided a named contact on 8 September 2023.

Action for administering authorities
Contact publicservicepensionsremedy@hmrc.gov.uk with details of a named contact at your administering authority for McCloud tax issues if you have not already done so.

Managing Pension Schemes service newsletter

HMRC published the September 2023 Managing pension schemes service newsletter on 19 September 2023.

The newsletter covers various topics, including:

- event reports
- Accounting for Tax (AFT) returns
- pension scheme returns
- migrating to the service.

HMT

Cost control directions made

HM Treasury (HMT) published The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023 on 31 August 2023. They explain how to assess HMT's cost control mechanism for public service schemes. The directions replace those published in 2014 and apply to the 2020 valuations and later ones.

The 2023 directions reflect the changes to the mechanism announced in 2021. We covered these in Bulletin 215.

John Glen, Chief Secretary to HMT, made a written ministerial statement on 19 September 2023. He said the 2020 valuation results will be confirmed later this year. Any changes to scheme rules to meet the target cost will be backdated from 1 April 2023.

You can find the 2023 directions on the related legislation pages of www.lgpsregs.org and www.scotlgpsregs.org.

Pensions dashboards

PDP webinar – introduction to pensions dashboards

The Pensions Dashboards Programme (PDP) will be hosting an open webinar on 4 October 2023 to re-introduce dashboards.

You will hear from Chris Curry, PDP's Principal, and others from PDP. They will talk about the dashboard goals, the roles of regulators and the steps that industry can take to prepare.

To register, use the booking link on PDP's website.

Why are dashboards needed article

On 13 September 2023, the Pensions Dashboards Programme (PDP) published an article reiterating the reasons why dashboards are needed.

TPR

Blog on working more closely with administrators

On 13 September 2023, the Pensions Regulator (TPR) published a blog titled 'Why we are building relationships with pension administrators'.

The blog emphasises the importance of fostering closer relationships with administrators, as it allows TPR to gain a better understanding of the challenges they face and address risks more effectively.

The blog also highlights several instances of TPR's work in this area. For example, TPR has been actively supervising several strategically important administrators and has initiated voluntary engagements with third-party administrators.

Independent review of TPR

The Department for Work and Pensions published the results of the independent review of TPR on 19 September 2023.

The review assessed whether TPR remains fit for purpose, and whether it is still required as a public body.

It found that TPR is broadly well-run and well-regarded, with notable achievements, such as automatic enrolment.

It also made seventeen recommendations across three themes: risk and growth, compliance and enforcement, digital transformation and value for money.

Scams reporting campaign

TPR launched a new industry-facing campaign on LinkedIn encouraging trustees and administrators to not let scams go unreported.

The campaign slogan is: Spot it. Discuss it. Report it.

TPR believes that trustees and administrators are best placed to help protect savers from pension scams by reporting any suspicions. Reporting can defend members' retirement income from scammers – and stop these actions having such a devasting effect on victims' lives.

According to the National Fraud Intelligence Bureau, there were only 35 reports of pension fraud on average per month in 2022. The more trustees and administrators report their suspicions, the more effective the industry can be in defending savers against pension scams. Reporting is vital intelligence in TPR's efforts to understand and respond effectively to the threat of scamming.

Action for administering authorities
Remember to report any suspicions you have, however small. See TPR's reporting guide for more details.

Other news and updates

Economic Activity of Public Bodies (Overseas Matters) Bill –

The LGA has submitted written evidence on the Bill to the Public Bill Committee. The Scottish Scheme Advisory Board (SAB) also sent a letter to the Committee about the Bill.

The Economic Activity of Public Bodies (Overseas Matters) Bill aims to stop public bodies being influenced by political or moral disapproval of foreign states when making certain economic decisions, with some exceptions. This would apply to LGPS investment decisions.

Our evidence focussed mainly on the practical implication of the Bill's current wording on local government pensions and procurement. We do not expect the bill to have any significant effects on local authority investment or procurement practices. However, we have significant concerns about the effects the current drafting will have on the operation of the LGPS.

The letter from the Scottish SAB expressed concerns that the Bill is vague and could clash with other well-established legal obligations that apply to the LGPS, such as the fiduciary duty. It also believes there are some practical issues that could make parts of the Bill unworkable.

Pensions (Extension of Automatic Enrolment) Act 2023

On 18 September 2023, the Pensions (Extension of Automatic Enrolment) Act 2023 received Royal Assent.

The Act gives the UK Government the power to make regulations that will lower the minimum age for automatic enrolment from 22 to 18 and remove the lower earnings limit for contributions.

The regulations will apply in England, Scotland and Wales.

The UK Government will shortly launch a consultation on implementing the changes.

Salary sacrifice AVC Framework

Portsmouth City Council has established a single supplier framework agreement for salary sacrifice additional voluntary contributions (AVCs). The single supplier is AVC Wise.

You can find more details about the framework on the Council's website.

Training

Apprenticeships and qualifications: next steps survey

Thank you to those of you who completed the apprenticeships and qualifications: next steps survey. We asked administering authorities for their views on our apprenticeship and qualification proposal. We received 57 responses representing 69 administering authorities. 48 responses were from in house administrators, 7 from shared service providers and 6 from third party administrators.

Summary of results:

- 54 per cent of respondents think they will use the new pensions administrator apprenticeship, a further 29 per cent said that they may use the apprenticeship in the future.
- 84 per cent of respondents are interested in attending an information session or webinar giving further information about the pensions administrator apprenticeship.
- Some of the additional comments about the apprenticeship related to needing more information on the content, time commitments, structure, funding and assessment methods.
- All respondents support our proposal to partner with the Pensions Management Institute (PMI) to provide a level three LGPS specific qualification.

- Some of the additional comments relating to the LGPS specific qualification expressed interest in a level 4 or 5 qualification in the future. Some administering authorities stated that they would prefer the qualification to cover pensions more broadly and not just the LGPS.
- 78 per cent of respondents would like to see a session at the Pension Managers' Conference in Torquay covering the pensions administrator apprenticeship and our proposal for an LGPS specific qualification.
- We received 37 offers to participate in a qualification working group to shape the LGPS specific qualification.

What we are doing next:

- we have started talking to the PMI about the LGPS specific qualification
- we will run an information session at the Pension Managers' Conference about the apprenticeship and the qualification
- we will facilitate a webinar to give more information about the apprenticeship and answer some of the questions from the survey
- we will set up a working group to make sure the new qualification meets the needs of the sector.

LGPS Governance Conference 2024

Booking is now open for the LGPS Governance Conference 2024.

The conference will take place on 18 and 19 January 2024 at the Principal Hotel in York. You can attend the conference in person or join us online.

The conference is aimed at councillors and others who attend pension committees/panels and local pension boards. Past delegates include trade union and employer representatives as well as officers who attend and support committees.

Cost

In person - £525 plus VAT. The price is inclusive of overnight accommodation and all meals.

Online - £400 plus VAT.

You can book and view the programme using the links below.

- book to attend in person
- book to attend virtually.

You can view the programme and book via the conference flyer. The booking page for all LGA events is www.local.go.uk/events.

Fundamentals training 2023

We have a few places left on our Fundamentals training programme.

The course provides a scheme overview and covers current issues affecting administration, investments and governance of the LGPS. All sessions are delivered by experts in their field.

See the course programme for full details – the timings shown only apply to the in person sessions. We are running the training in person in two locations - London and Manchester, and online.

We will be delivering each day of the online sessions over two half days. You only need to complete one booking per day – this will automatically book you on both of the half days. It is not possible to book for a half day. The online sessions will be delivered using Zoom.

Attending all three days will help delegates meet the relevant requirement for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.

Cost

In person - £280 plus VAT per session. The price is inclusive of lunch and refreshments.

Online - £240 plus VAT per session.

You can book online through the LGA events page. We are unable to take manual bookings. Please find links to the individual sessions below.

- Day 1 Manchester, 5 October 2023 Marriott Victoria and Albert Hotel **two places left**
- Day 1 London, 12 October 2023 LGA offices
- Day 1 online, 19/26 October 2023
- Day 2 London, 2 November 2023 LGA offices
- Day 2 Manchester, 8 November 2023 The Edwardian Hotel **Fully booked**
- Day 2 online, 16/23 November 2023
- Day 3 London, 5 December 2023 LGA offices
- Day 3 Manchester, 13 December 2023 The Edwardian Hotel **two places left**
- Day 3 online, 11/19 December 2023

Wider landscape

FCA pension transfer guidance

The Financial Conduct Authority (FCA) published guidance for financial advisers on 30 August 2023. The guidance sets out how advisers can support consumers with characteristics of vulnerability when providing pension transfer advice.

Retained firefighters' consultation

On 8 September 2023, the Home Office published its response to the consultation on the proposed changes to the firefighters' pension scheme in England for retained firefighters.

The consultation, which ran from 31 March to 9 June 2023, sought views on the proposals to allow retained firefighters employed between 7 April 2000 and 5 April 2006 to buy their pre-July 2000 service for pension purposes.

Legislation

Acts

Pensions (Extension of Automatic Enrolment) Act 2023 [2023 c.44]

Statutory Instruments

The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 [SI 2023/972]

Correction slip to SI 2023/972

Scottish Statutory Instruments

The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 [SSI 2023/240]

The Local Government Investments (Scotland) Amendment Regulations 2023 [SSI 2023/255]

Useful links

LGPS member website (England and Wales)

LGPS 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 and one of the team's LGPS pension advisers will get back to you.

Joanne Donnelly (Head of Pensions)
Telephone: 07464 532613
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Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)
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Steven Moseley (Pensions Adviser – LGPC Secretariat)
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Lisa Clarkson (Pensions Adviser (Employer) – LGPC Secretariat)
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Further information

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Department for Levelling Up, Housing & Communities

Local Government Pensions SAB England and Wales

The McCloud judgment and your LGPS pension

This factsheet summarises the McCloud judgment and changes the Government is making to the Local Government Pension Scheme (LGPS) in England and Wales.

At a glance

The changes may affect you if:

- you were paying into the LGPS or another public service pension scheme before 1 April 2012
- you were also paying into the LGPS between 1 April 2014 and 31 March 2022
- you have been a member of a public service pension scheme without a continuous break of more than 5 years

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What is the McCloud judgment?

When the Government reformed public service pension schemes in 2014 and 2015, transitional protections were introduced for older members. In December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them.[1]

This ruling is called the McCloud judgment, after a member of the Judicial Pension Scheme involved in the case. Because of the ruling, there will be changes to all public service pension schemes that provided transitional protection, including the LGPS.

The changes are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case.

The changes are called the McCloud remedy and are intended to remove the age discrimination found in the McCloud court case

1 Lord Chancellor and another v McCloud and others
Secretary of State for the Home Department and others v Sargeant and others
[2018] EWCA Civ 2844

How is the LGPS changing?

In 2014, the LGPS changed from a final salary scheme (a pension based on your pay when you leave) to a career average scheme (a pension which builds up based on what you earn each year).

Older members who were closer to retirement were protected from the changes. This means when a protected member takes their pension, the benefits payable under the career average scheme are compared with the benefits that would have been built up, had the final salary scheme continued and they receive the higher amount. This protection is called the underpin.

To remove the McCloud age discrimination, qualifying younger members will now receive the underpin protection too. This change will come into force on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. The underpin will have stopped earlier if you left the scheme or reached your final salary normal retirement age (usually 65) before 31 March 2022.

From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only.

The LGPS McCloud remedy will come into force on 1 October 2023

1 October 2023

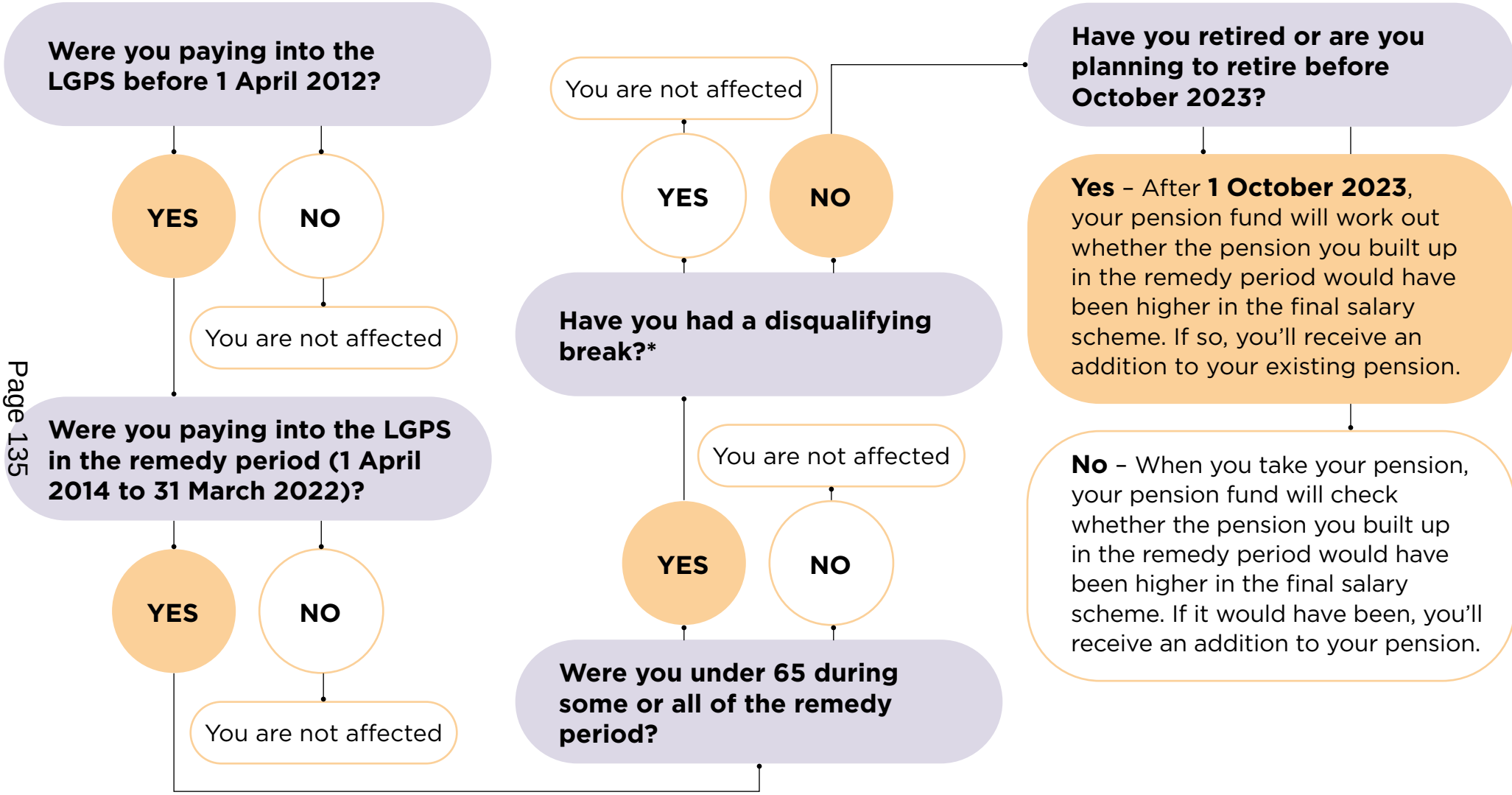
Am I affected?

You may qualify for underpin protection if you were a member of the LGPS before 1 April 2012 and at any time between 1 April 2014 and 31 March 2022, as long as you did not have a disqualifying break. A disqualifying break is a continuous period of more than five years when you were not a member of a public service pension scheme.

If you have had more than one period of LGPS membership, the Government is considering if those periods have to be joined up or 'aggregated' to determine whether you qualify for underpin protection. The Government will seek views on this in 2023, ahead of announcing a final decision.

You may also qualify for protection if you were a member of another public service pension scheme before 1 April 2012 and you transferred that membership to the LGPS. The Government is considering whether you should also qualify for underpin protection if you have not transferred that membership to the LGPS. The Government will seek views on this in 2023, ahead of announcing a final decision. You can use the tool on the next page to see if the changes could affect you.

You may qualify for underpin protection if you were a member of the LGPS before 1 April 2012 and at any time between 1 April 2014 and 31 March 2022



* If you have changed jobs, underpin protection could apply to you. This will depend on your circumstances and the rules of aggregation which are being considered by the Government.

What do I need to do?

You do not need to do anything. If you qualify for underpin protection, your pension fund will work out if an addition is due to be paid to you when you take your pension. If you have already retired, your pension fund will work out if you are due an addition to your existing pension. They will do this as soon as they can after 1 October 2023.

Will my pension increase?

This depends on the pension that you have built up when you take your pension. You don't need to do anything – your pension fund will work out whether you are due any additional pension.

Many members won't see an increase because the pension they build up in the career average scheme will be higher than what they would have built up in the final salary scheme.

Your pension fund will work out if an addition is due to be paid to you when you take your pension

Do the changes affect me if I qualified for original underpin protection?

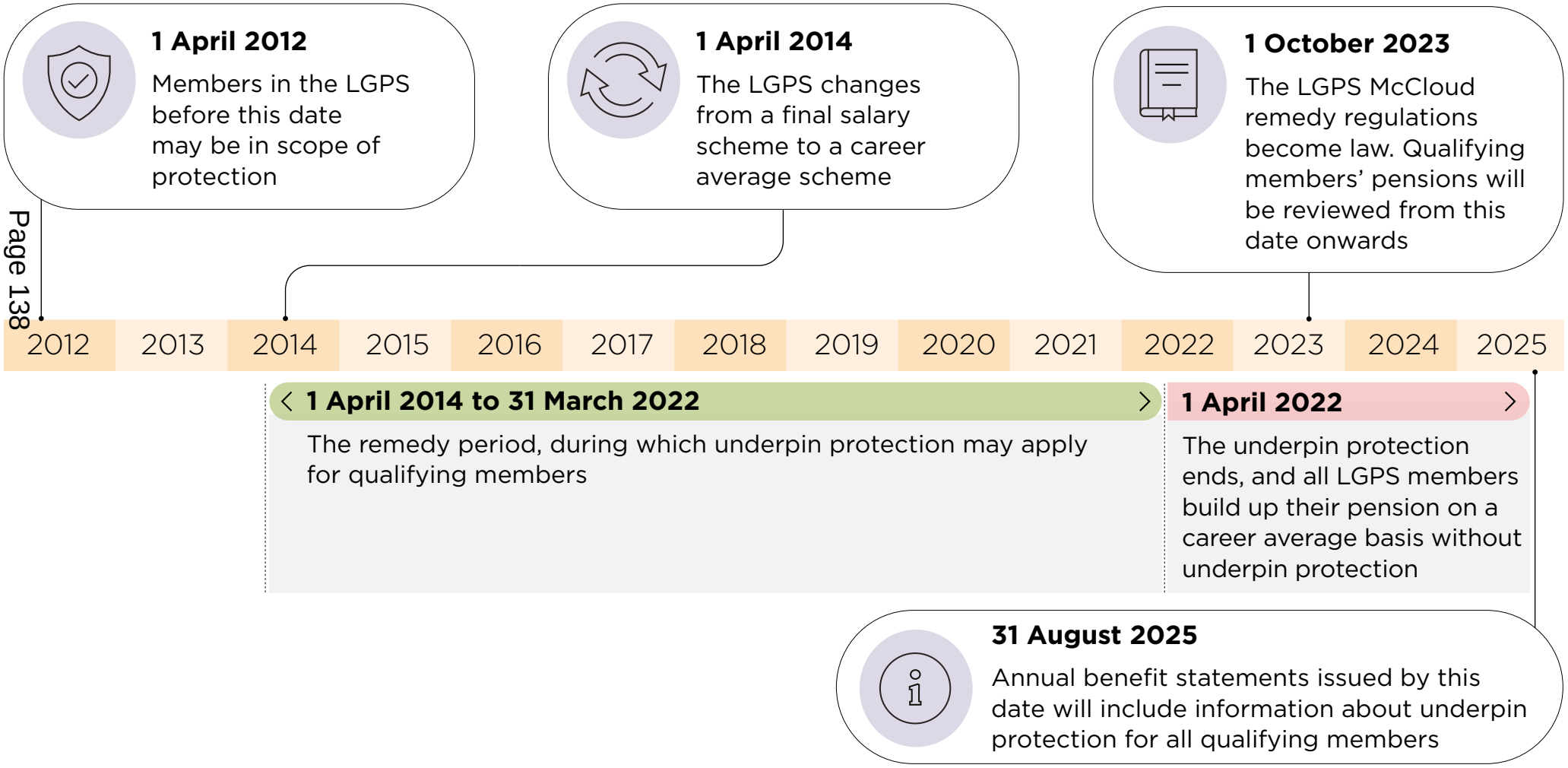
If you already qualified for protection under the original rules for protection, your pension fund will work out if you are due an addition to your existing pension. They will do this as soon as they can after 1 October 2023.

How can I find out more?

This factsheet doesn't cover all circumstances or provide a detailed explanation of the McCloud remedy, which will be set out in legislation. For more information on how the McCloud remedy may affect you, contact your pension fund. Contact details for all LGPS funds are available here: **www.lgpsmember.org/contact-your-fund**

For further information on how the McCloud remedy may affect you, please contact your pension fund

Key dates


1 April 2012
Members in the LGPS before this date may be in scope of protection
1 April 2014
The LGPS changes from a final salary scheme to a career average scheme
1 October 2023
The LGPS McCloud remedy regulations become law. Qualifying members' pensions will be reviewed from this date onwards
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
1 April 2014 to 31 March 2022
The remedy period, during which underpin protection may apply for qualifying members
1 April 2022
The underpin protection ends, and all LGPS members build up their pension on a career average basis without underpin protection
31 August 2025
Annual benefit statements issued by this date will include information about underpin protection for all qualifying members

Scheme Advisory Board (SAB)

Department for Levelling Up, Housing and Communities

Local Government Pension Scheme (England and Wales): Next steps on investments

LGF Pensions Team, DLUHC
2nd Floor
Fry Building
2 Marsham Street
London SW1P 4DF

LGPensions@levellingup.gov.uk

Response to consultation

This response is submitted on behalf of the Local Government Pension Scheme Advisory Board (England and Wales) which is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113.

The Board's purpose is to:

- Provide advice to the Secretary of State and to administering authorities on "the desirability of changes to the scheme" and "in relation to the effective and efficient administration and management" of the LGPS E&W ("the Scheme")
- Provide a framework to encourage best practice, increase transparency and coordinate technical and standards issues across the sector

Membership of the Board includes equal number of voting members representing employers and employees. The Board is also supported by non-voting members and advisors.

There are around 18,000 employers participating in the Scheme and therefore there are representatives of some of the larger employer groups (further/higher education institutions and academy schools) on the Board and its sub-committees.

Secretariat services are provided by the Local Government Association and separate Advisory Boards have been established for the LGPS in Scotland and in Northern Ireland. They are outside the scope of this response.

This response has been compiled by the Board Secretariat in consultation with members of the Board and approved by the Board in correspondence.

Yours sincerely,

Cllr Roger Phillips
Chair of the Board

Scheme Advisory Board (SAB)

Response to consultation questions

Preliminary remarks

The Board welcomes this consultation, which provides much-needed clarity on the Government's future intent on investment policy. The Board will engage fully and positively with the Government, LGPS funds and pools to build as broad a consensus as possible on the way forward.

However, the long delay from when this consultation was first mooted (2019) and its publication now has led to a considerable degree of uncertainty and unhelpful speculation. There was an absence of engagement in that period which was not helpful to those trying to push forward and make progress towards further collaboration on the delivery of fund investment strategies. That uncertainty could have been mitigated by an active dialogue between departmental officials, the Board and those working at funds and pools about their experience of pooling. We hope for lessons to be drawn that whatever the outcome of this consultation there needs to be a much greater level of engagement moving forward. That should be on an open and ongoing basis so that policy thinking can be shared and even in future co-produced.

In terms of this particular consultation, the Board recognises that we need to start from where we now are and not revisit earlier arguments about the merits of pooling. We believe that the most important question is how the Scheme can move forward in the best way possible.

The Board supports greater transparency and reporting, indeed it has developed the first scheme-level annual reports and triennial valuation summaries. Perhaps because of its efforts to produce scheme-wide publication, the Board recognises that compliance with existing publication requirements contained in regulations and statutory guidance is not universal.

There may be some good reasons for that, in terms of the well-recognised staffing difficulties and burgeoning workload of LGPS officers. However, the Board believes that it is time to review the panoply of reports, statements and strategies that funds are asked to produce and rationalise these with an eye to their core purpose and intended audience. Once that has been done, and there is a shared view that the reporting burden is reasonable, it would be appropriate to consider what the best enforcement mechanism is to ensure that LGPS funds are meeting their reporting obligations.

It is also important for the Board to emphasise that in order to deliver on existing workstreams, as well as taking forward many of the necessary reporting and guidance changes suggested in the consultation, the Board's annual budget and resourcing level in the Secretariat team will need to increase. We hope that the Minister will appreciate that without additional resource, it will not be possible for the Board to deliver these additional asks.

Scheme Advisory Board (SAB)

Responses to specific questions

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

One barrier that the Department needs to address is the lack of evidence in the public domain that makes the case for their preferred model. The consultation refers to data supplied by the pools which has never been published and one research paper looking at international comparisons. Improving Scheme transparency has been a key principle for the Board, which is why we have established the Scheme-level Annual Report as well as the triennial Valuation report.

The Board believes that it would be easier to reconcile the differing views that exist if there were a wider evidence base to draw upon. There are always likely to be some who oppose pooling in principle but there will be some who may be persuadable if the case could be made in an independent, evidence-based manner.

Even for those who accept the basic premise of greater scale being needed, most would accept that the success of a pool in practice is built more on alignment of strategies and underlying approach to investment, rather than of total AUM. The one research paper quoted in the consultation also seems to recognise that.

The Board would therefore recommend that the Department should recognise that there also needs to be consideration of the number and size of partner funds who participate in a pool, as well as the total AUM. It seems plausible that there needs to be a manageable number of funds participating in order to effectively set a common direction and secure the benefits of a harmonised approach. If it is accepted that funds may legitimately have their own investment philosophy, then that needs to be respected and progress achieved by consent.

Of course, alignment of investment approaches requires building relationships of trust between partner funds and with the pool – which is why governance is key. Governance works best when partner funds are engaged and pro-active owners/members of pools and over time develop those relationships of trust.

Collaboration and trust cannot simply be mandated and that is why the Board believes that there is an ongoing role for both the Department and the Board to facilitate the development of those behaviours. That can be done both directly by engaging with pools and funds where relationships are not developing as hoped, as well as indirectly by actioning the Board's Good Governance recommendations from 2021.

In some cases, it seems that the Department does accept the Board's perspective of governance rather than size being key, for example in relation to the recognition by officials that the Wales Pension Partnership will be seen as an exception to the general rule and not expected to achieve the "optimal" scale of £50bn. This recognises that particular, strong partnership arrangements already in place for Wales and its unique national identity (including the need to produce materials in the Welsh language).

The Board feels that the consultation proposals should also recognise that there are potential risks associated with size including concentration risk (particularly in London) and the loss of ability to be nimble and take advantage of smaller opportunities. Genuinely local

place-based investments are likely to be in the latter category. Generally, though there are likely to be different "sweet spots" in terms of scale for different asset classes. That seems to be recognised by the reference in the consultation to certain pools specialising in particular asset classes, rather than each pool developing that expertise separately.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

The Board understands the importance of setting clear deadlines but believes that March 2025 is an unrealistic deadline for all funds to transfer all listed assets. The Board would like to see evidence that the date has been chosen with due regard to the need to balance the associated tax and transition costs with the perceived benefits.

Key to the reasonableness of any target is how exacting the test will be of the reasons for not transferring an asset and the administrative burden of demonstrating this. It would be helpful to have further detail from DLUHC on what is expected to be contained in the "detailed rationale" for not transferring an asset, as well as who – whether those with fiduciary responsibility for investment, or DLUHC officials – would judge whether the rationale was adequate and how it is envisaged to be reported.

We also believe that an exception for the deadline should be made for the passive investment assets held via insurance funds. This is because the larger insurance funds already offer greater scale (and hence lower fees) than pools would be able to offer through any authorised contractual scheme of their own.

We would also welcome confirmation that an acceptable reason for delaying transition exists for legacy illiquid assets, particularly those in private markets, where the fee terms are already fixed. Transferring these assets to the pool would not allow for those fees to be revisited but would simply incur new legal, transition and tax costs.

The Board would suggest that the most appropriate point in the triennial valuation cycle for funds to be considering relevant factors and consulting on their investment and funding strategy statements would be one year later, in 2026. By then, the 2025 valuation results will be known and can be taken into account.

As a point of principle, the Board does not accept that it would be an appropriate use of the direction-making power contained in Regulation 8 of the LGPS Investment Regulations 2016 to compel a fund to transfer ownership of an asset to a pool, or disinvest from a non-pooled asset in order to invest in a pooled one, unless there was clear evidence that retaining the pooled asset would be a breach of that fund's fiduciary duty.

In Hansard, when Parliament was considering this power, the then Minister Marcus Jones MP was clear that:

"It is important to point out that that is an example of a backstop provision. The intention is to use this backstop provision sparingly and only when it is necessary to step in to protect the interests of both the scheme members and the local taxpayers, who might have to step in and bail out the LGPS if the investments are not made in a way that provides the best return from those funds."

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The Board does not believe that LGPS funds are simply refusing to transfer assets where there is a clear financial benefit in transferring it to a pool. It is also not clear how the Department could from a distance make the necessary detailed financial assessment that this was the case. The Board would also query whether Stamp Duty would be payable on any transfer that happens by virtue of a legal direction given by the Secretary of State. Generally speaking it is not chargeable on assets transferred by operation of law.

The Board feels it is more appropriate for Government to focus on increasing the active participation of funds in pools (and thereby the pool's effectiveness) rather than using the threat of direction to compel funds to act against a fund's own better judgement.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

It is not clear what is meant by "promotion" of a particular model in this context. Government doesn't have the ability to direct or even issue guidance to pools that they would have to have regard to. The Board also believes that there are limits to how far guidance issued under Regulation 7 of the LGPS Investment Regulations 2016 could be used to indirectly shape pool governance arrangements.

The Government does have the ability to amend the 2016 Regulations or issue statutory guidance under them, but exactly what that would say and whether it would require unwinding of existing arrangements is not clear. The consultation recognises that different models have been adopted and says that "each model has its own benefits", which suggests that the model of pooling will remain heterogenous rather than homogenous. If that is not Government's view, then it should explicitly state that and outline its preferred operating model for the pools that it sees existing in the longer term.

The Board also feels while the Department's preferred model of pooling can work, it may not be the most appropriate approach for all funds. The picture drawn in the consultation is of a relatively top-down structure: with the Secretary of State potentially giving directions, pools having ownership of most decisions and partner funds left with quite residual functions. We believe that perspective needs to be altered to a more collaborative model, which has proved successful in practice. In this approach, funds are recognised as having a strong and active role in the governance of pools. They are able to hold the pool, its Board and executives to account and there is an important role for member representatives in that too.

The consultation says that there will be guidance on member representation but does not give any indication of what this would say. The Board believes that such guidance should recognise that member representatives will have an interest in "following the money" and ensuring that value is achieved at every stage. It should be clear that member representatives' role is to provide oversight – and they should be able to participate in the governance of the pool.

The Department also needs to seriously consider how the messages in this consultation could negatively affect progress with pooling. If there is a prospect of some pools ceasing to exist in the near future, then that will give many funds occasion to pause transfers and reconsider their participation in that particular pool. This is precisely the opposite effect to what it is trying to achieve.

If the number of pools is to reduce, the Minister needs to carefully balance any further marginal gains through increased scale against what may prove a greater cost of disruption (in terms of managing pool staff and buildings, fees, stamp duty and diversion of management attention at both funds and pools). There is no indication in the consultation of how this process of rationalisation is expected to occur nor what the respective roles of Government, pools and funds would be in that process. Without clear ground-rules for how mergers or acquisitions would work, the risk is that they become time-consuming and messy, and therefore costly.

There is also a potential issue where the pool is an adviser on investment strategy as well as provider of products. There are potential conflicts of interest there that need to be considered, with appropriate protections put in place where necessary.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

The Board very much welcomes this recognition of the importance of training for Pension Committee members, with the need for Committee members' training to be "levelled up" to at least equal the responsibility placed in primary legislation and regulations on Pension Board members. We share the desire for increased transparency on effectiveness of outcomes and training of Pension Committee members and think that the proposals are the absolute minimum that should be expected, particularly bearing in mind the requirements of the MIFIDII opt up.

The Board would welcome a commitment from the Department to work with it to develop within a defined timescale a consistent set of reporting standards for training (and if agreed trusts that the Minister will approve the budget necessary to support this work). We would also encourage the Department to set out a long-awaited timetable for the implementation of the full range of Good Governance recommendations on training and expertise that were sent to the (then) Minister two and a half years ago and are yet to be addressed.

Indeed, in relation to these proposals we would urge the Department to go further and require those sitting on Pension Committees to meet standards which more closely mirror the statutory requirements on Pension Board members. They are expected to develop a knowledge and understanding of the law relating to pensions, the rules of the scheme and basic principles relating to the funding and the investment of scheme assets. There is no reason why Pension Committee members should not have a similar legal obligation, and this would also address the current anomaly whereby Pension Board members are required to demonstrate that they have the capacity to fulfil their roles but there is no similar provision in respect of Pension Committee members.

The consultation document proposes to require funds to report on the training undertaken. However, the current statutory guidance (issued by CIPFA in 2019) already says that the Governance Compliance Statement should include "membership of each panel, board, committee or sub-committee with a matrix showing each member's voting rights, record of attendance at meetings and details of training received during the reporting period".

The same statutory guidance also recommends that the Annual Report includes "details of training offered and take-up (training is mandatory for local pension board members but not for a pensions committee)". As per our introductory remarks, there is a need for a more

effective mechanism to ensure compliance, but this should be combined with a thorough revision of the range of reporting duties which funds are expected to comply with.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

The Board has long believed in the need to increase the quality and transparency of reporting by funds. As mentioned in the response to Question 4, the Board believes that there should be a detailed review of the relative functions and content of the SF3 return, the Annual Report (AR) and other reporting duties on LGPS funds and pools.

It makes sense to review these in a holistic way, especially as further new reporting obligations (such as around climate risk reporting) are in development. For each source (AR, SF3, pool reporting) we need to be clear about the intended audience, purpose and what conclusions readers are meant to be able to draw from the data. Of course, in carrying out this review we need to be mindful to minimise the administrative burden that arise from any changes made.

The Board agrees that it would be helpful to have better and more consistent data on investment performance. We support the principle that data on net returns should be reported against appropriate benchmarks. However, there are practical difficulties in doing so and the choice of benchmark would be significant and needs to be carefully considered – the Board would welcome engagement about how this might work.

The Board would also emphasise that this data will need to be presented with sufficient contextualisation. Without that, comparing net return figures between funds could lead to erroneous conclusions being drawn if the reader were not sufficiently aware of how the figure would be affected by considerations such as the different funding positions, different risk appetites (which will be reflected both in strategic asset allocation and the choice of assets within a specific asset class) and the extent to which the assets are managed in-house or externally.

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Yes, this will be helpful and make it easier to produce the Board's annual Scheme Report. It will however require an up-front investment of time and resource which we will reflect in the Board's workplan, and budget, for coming years.

The Board would also like to remind the Department of its proposal to separate the production of pension fund annual accounts in England from the administering authorities' own accounts, as is already the case for the LGPS in Scotland and Wales. This policy measure would help to significantly improve the quality and timeliness of Scheme-level data.

Question 7: Do you agree with the proposed definition of levelling up investments?

We understand the temptation, with borrowing costs for Government at a higher level than they have been for some time, to look to LGPS funds as a ready source of funding for regeneration or infrastructure projects. And there is no question that more needs to be done to boost productivity, grow the economy, raise living standards and to do so in a way that

reduces the inequality in outcomes across the UK. However, LGPS funds cannot invest simply to support Government policy or provide loans on favourable terms for projects supported by Government.

However, the Board believes that most funds are very open to investing in place-based initiatives where particular projects can be demonstrated to be consistent with the fund's fiduciary duty and appetite for risk. Due to the need to manage conflicts of interest, we again urge the Department to implement the recommendations of the Board's Good Governance review, which includes the need for each fund to have a conflict of interest policy. Not least because local authorities and other scheme employers (e.g. universities and housing associations) may well be partners in some of the proposals which the fund is invited to support.

Some funds have a deep understanding about how their local economy works, which could give them a competitive advantage over other investors. But the key barriers are scale and supply of opportunities: we would like to see a deeper consideration by Government of what can be done collectively to address those.

For funds to invest, the bar to be passed for "levelling up" investments is a relative one, set by the opportunities presented elsewhere in the economy (and a global economy at that). UK infrastructure projects will need to be competitive with other opportunities around the world.

We note that the consultation says that the LGPS "can play a key role in building a pipeline of investable UK opportunities without costly deal by deal auctions". The most appropriate role for LGPS funds in this context is likely to provide a clear steer to Government on the kinds of propositions (in terms of risk, cost and return) that it would be interested in, the range of those between different funds and eventually to invest in suitable opportunities. While LGPS funds should be consulted on what the pipeline is for and who the potential customers of that pipeline are, we do not believe that it would be for the LGPS to construct it. That is clearly a job for a Central Government agency (or a body nominated to act on its behalf).

We believe that Central Government absolutely needs to take a more active role in this space and could do so by setting out a clearer and more activist industrial strategy, or make a comparable offer to support transition to a net zero world such as those offered in other jurisdictions (like the significant funding commitments announced by the US and EU).

In relation to the specific question on the definition of Levelling Up investments, that proposed at paragraph 62 of the consultation document does seem to have the necessary degree of flexibility. There are ongoing debates on the best way to measure impact and no settled methodology has yet emerged. We would expect the requirement that the impact be "measurable" not to be tested against any particular standard. Indeed, some of the levelling up missions themselves are very loosely described and so we would also not expect the Department to quibble about whether any particular investment did or did not meet the definition – that is best left for local determination.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

We are not aware of anything that would prevent a fund from investing in another pool if that pool had opened its funds to external investors. As far as we are aware, no pools have taken

that step and for good reason (these are very clearly set out in the response from SYPA, which has been shared with the Board). GLIL does allow the admission of new investors outside the LGPS but GLIL is not a pool as such, but rather a cross-pool (LPP and Northern) investment vehicle. Increased use of collaborative vehicles of that type may be a more productive route for the Department to explore rather than permitting or encouraging funds to invest via pools other than their own "home" pool. There is also the potential for additional costs to arise as a result of investing in another pool's product through the "home" pool, which would seem to run counter to the cost-saving aims of pooling.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

The Board has no objections in principle to the publication of a levelling up plan by funds, so long as the requirements are proportionate, in line with fiduciary duty and integrated with the other duties and strategies that funds need to produce. The detail of this should be wrapped up in the general review that we have proposed of what information LGPS funds are required to publish.

As was mentioned in the answer to Question 7 above, the Board would also like to see the Department, and HM Treasury, produce a plan for how it will help increase the scale and investable opportunities available to LGPS funds.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

At the risk of repetition, the Board has no objections to LGPS funds being asked to report on how they are investing in line with a Levelling up target. However, any requirement needs to be proportionate and considered alongside a review of publication duties more generally.

It should also be acknowledged that Levelling Up investments are not an asset class of their own. We would therefore suggest that the investments are to be reported under the principal asset class breakdown. These kinds of investments may come in terms of public or private equity, and also take the form of bonds (like those issued by water utility companies).

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

The Board does not agree with this proposal. We feel the increasing attempts by the Government to intervene in asset allocations is unhelpful. Asset allocation is the key determinant of success and requires careful consideration of the specific circumstances of the fund and is based on taking professional advice from officers, actuaries, investment consultants and others. Statements from Ministers cheerleading particular asset classes, albeit well meant, are not relevant or particularly helpful to that process.

In any case many funds are now in a position where, due to strong funding levels and the desire of many employers to manage volatility in their future contribution levels, they wish to reduce their exposure to risk. That makes them very reluctant to increase their allocation to riskier asset classes, such as private equity.

It would also be helpful to clarify whether this is intended to cover private markets and growth assets more generally. We believe it makes less sense to limit it to private equity, narrowly defined.

The Government should also be aware that, putting aside considerations of risk and return, there are issues with transparency working with some private equity managers. That is both in terms of cost transparency data and climate risk reporting.

The Board would also put forward the suggestion that private debt be considered to be part of this ambition – should it be pursued by Government. Private debt often provides funding to UK companies as they grow and develop, and therefore could be said to meet the Government's desire to contribute to overall UK economic growth.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

The Board believes that Government departments and agencies like the UK Infrastructure Bank and British Business Bank should work together to pull together a pipeline of investable opportunities for LGPS funds. The Board has previously recommended that the Government create and market a selection of social impact bonds. As different funds and pools are of markedly different sizes, the creation of bonds would allow all funds to invest at a scale that is appropriate for them.

Central Government clearly has a role to play here. For example, we look to the Government to develop a coherent and well understood industrial and planning strategy that gives long-term investors confidence that this is more than a passing political fad.

Longer term policy commitments, and ideally cross-party consensus, would be extremely helpful to address the policy risk that accompanies the financial risk in many larger projects. As we have seen with debates on HS2, airport expansion and on-shore wind, uncertainty around how Government policies may change is damaging to investor confidence.

To create some certainty and sense of momentum, some governments have identified significant streams of funding to support transition towards Net Zero, e.g. those announced in the United States and the European Union.

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Yes

Question 14: Do you agree with the proposed amendment to the definition of investments?

Yes

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

The Board believes that it is important for the financial services industry to become more inclusive and that Government and the LGPS should consider how its practices can further that aim. The Board notes that the development of pooling companies has enabled the

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LGPS to bring in more diverse talent and create opportunities and viable career paths in parts of the country where this was not the case before. Notable examples include the way Border To Coast has brought new jobs to Leeds and made it the biggest investment player in the UK not based in London or Edinburgh. Similar success is evident in Wolverhampton, due to LGPS Central, which has been actively championing the need for change in the investment industry.

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2022 Valuations - Detail Report

Details

Last Updated: 09 August 2023

Triennial valuation 2022 in the LGPS (England & Wales) - Detailed Report

2022 valuation results - executive summary

Funding level

Improved from 98% at 2019 to 107% at 2022 (on local funding bases) with all Funds reporting an improvement

Deficit

Improved from a deficit of £5.9bn at 2019 to a surplus of £22.1bn at 2022 (on local funding bases)

Membership

Total count of members increased from 6.2m at 2019 to 6.6m at 2022

Average primary rates

Increased from 18.6% of payroll p.a. at 2019 to 19.8% of payroll p.a. at 2022 (at

Average total contribution rates

Decreased from 22.9% of payroll p.a. at 2019 to 21.1% of payroll p.a. at 2022 (on an equivalent

Allowance for McCloud

Across the Funds analysed, the cost of McCloud was estimated to be £1.6bn (0.5%) of liabilities on a

whole Fund level)	whole Fund level)	local funding basis.

All LGPS Funds saw an improvement in funding position, largely driven by strong asset performance in 2020/21 which carried through to 31 March 2022, and deficit contributions paid by employers over the intervaluation period. As at 31 March 2022, the total funding level across the 85 Funds analysed was 107% which corresponded to a surplus of £22.1bn. Average total contribution rates decreased from 22.9% p.a. to 21.1% p.a., although primary rates generally increased. Therefore, deficit contributions (i.e. secondary contributions) were generally reduced to maintain stability of contributions. We continue to see participating employers under cost pressures so maintaining rates was welcome.

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1. If comparing these figures to the 2022 Scheme annual report published by the Scheme Advisory Board you will notice that there are some minor differences and there are a number of reasons for this including that this analysis includes only 85 Funds, some of the treatment of benefits may have been calculated slightly differently i.e. membership counts. Some of the 2019 comparatives may also be different to previous reports where they have been recalculated to be based on the same Funds used in the 2022 analysis.

Employer Engagement

Due to the recent falls in gilt yields as well as the amendments made to the LGPS Regulations in September 2020 which introduced new employer flexibilities, we have seen a further increase in engagement by employers looking to understand their obligations to the LGPS. An increasing number of Funds undertook employer covenant reviews as part of the valuation process. This helps Funds to look at the appropriateness of the contributions being set and the integration of employer covenant risk, investment strategy risk and funding risk in a similar way to what we are seeing in the private sector.

Introduction

On 31 March 2023, the 2022 actuarial valuations for 87 Funds participating in the England & Wales Local Government Pension Scheme (LGPS) were completed. The purpose of these valuations was to set employer contribution rates in each Fund for the period from 1 April 2023 to 31 March 2026.

There was one fewer LGPS Fund in the 2022 analysis compared to 2019, due to the Northumberland County Council Pension Fund merging into the Tyne and Wear Pension Fund in 2020.

This report summarises the data collected from 85 of the 87 Funds (the two Environment Agency Funds have been excluded). It compares the 2022 valuation results to the 2019 valuation results as well as looking at the assumptions used, the investment strategies and the ranges of recovery periods. The full list of Funds analysed is shown here.

In carrying out our research we have reviewed the valuation reports provided and received support from the Local Government Association (LGA) and Barnett Waddingham. We have used the information as set out in the valuation dashboard for each Fund, as agreed between the Fund actuaries and the Government Actuary's Department (GAD).

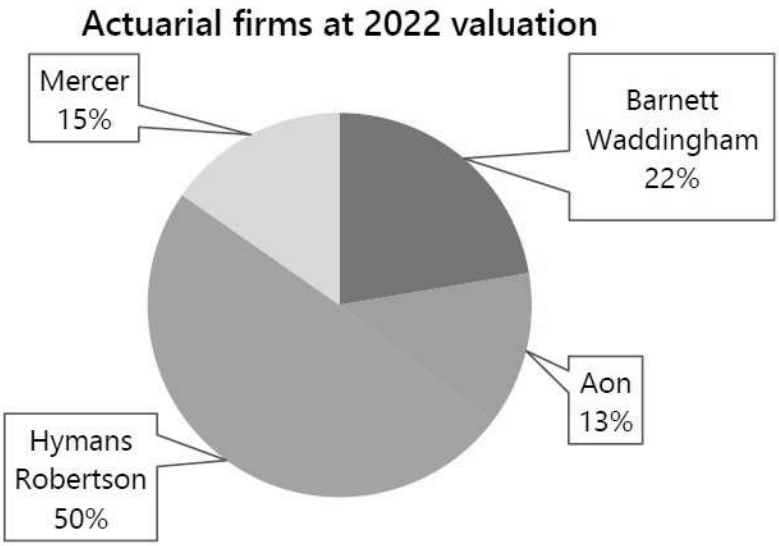
This report explores some of the key findings and is split into the following sections:

- Executive summary
- Data
- Financial assumptions
- Demographic assumptions
- Funding results

Please contact the Scheme Advisory Board secretariat for further information.

Actuarial firms

The 2022 valuation reports were prepared by the Fund actuaries of each LGPS Fund. Although each Fund has their own funding approach, there are similarities between Funds advised by the same actuarial adviser. The split of the LGPS Funds by actuarial firm is shown in the chart below:



Current issues

In addition, Funds were faced with various issues surrounding the valuation including:

- **The potential impact of the McCloud/Sargeant case**: When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and a further consultation was issued on 30 May 2023 including draft regulations. For the purposes of the 2022 valuation, to enable a consistent approach, the Fund actuaries were instructed by the Department of Levelling Up, Housing and Communities (DLUHC) to assume that the legislation will bring forward the changes as proposed, and liabilities were calculated in line with this. Across the Funds analysed, the cost was estimated to be £1.6bn (0.5%) of liabilities on a local funding basis.
- **The potential impact of the cost management process**: There remain uncertainties around the 2016 and 2020 cost management exercises. Further cost management reviews will be carried out and may lead to future benefit changes.
- **Potential change to the valuation cycle:** The Government consulted on a change to the LGPS Funds valuation cycle to move to a quadrennial cycle in line with the other public sector pension schemes and also the LGPS Scheme valuation.

This issue remains outstanding and therefore the Fund actuaries have based their valuation reports on the next valuation being in 2025.

- **Climate change risk analysis:** Fund actuaries were required to consider climate risk in the 2022 valuations and include two scenarios in their analysis. The analysis was developed for LGPS Funds based on the Department for Work and Pensions regulations, as we await final regulations which apply directly to the LGPS. The analysis was discussed with GAD, who agreed a set of four key principles for how LGPS Funds would undertake climate risk scenario analysis as part of the 2022 valuation.
- **Current high levels of inflation:** Since the valuation date, there has been some significant market turbulence including material increases in short-term inflation which resulted in a 10.1% pension increase being awarded in April 2023. Funds took a variety of approaches in allowing for this which varied from making no additional allowance to including an additional explicit allowance. The approach each Fund took is set out in their valuation report.

Experience since 31 March 2022

The 2022 valuation saw a significant improvement in funding levels compared to 2019 (increasing from 98% to 107%), with all Funds reporting an improved funding position. This is a positive outcome for the LGPS, although recent events, in particular the impact of high inflation on liabilities, will bring challenges for the period to the next valuation.

On the liability side, the movement will depend on the impact that changes in market conditions will have had on each Fund's local funding basis. Generally, high short-term inflation will lead to an increase in the value placed on the liabilities, although, as detailed above, it may have been built into the valuation of the liabilities to some extent.

Since the valuation date, we have also seen significant increases in gilt yields. Therefore, there may be a further impact on Funds using a discount rate which is set in relation to the inflation assumption and/or gilt yields. For example, if a discount rate is set with reference to gilt yields, then liabilities may be expected to have decreased significantly following 31 March 2022 due to a significant increase in gilt yields since this date.

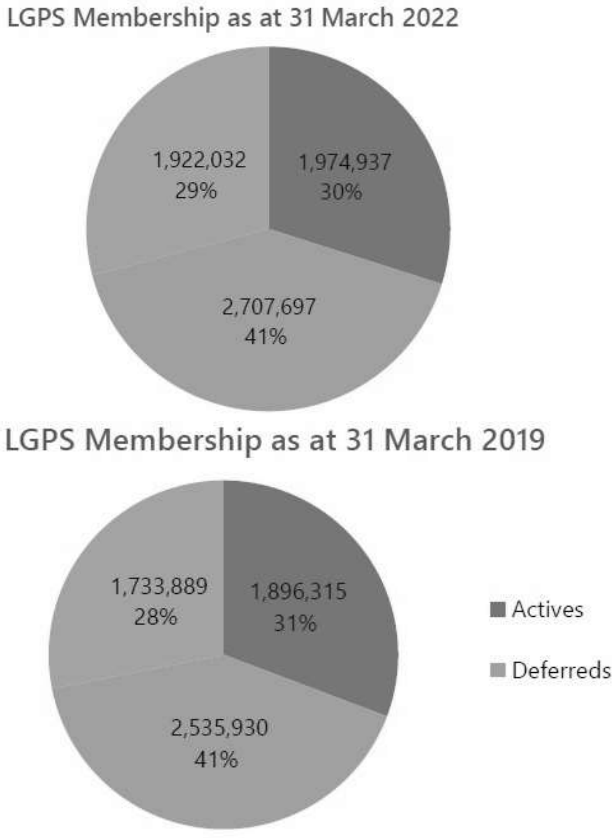
On the asset side, it is expected that investment returns across the LGPS will have been lower than that assumed at the 2022 valuation which will lead to a worsening in the funding position.

Results of Analysis

Data

Membership data

The LGPS continues to increase in size with total membership increasing from 6.2m2 members in 2019 to 6.6m in 2022. The split of membership is summarised in the charts below. Please note that individuals may have multiple membership records due to different contracts etc. The actuarial valuations consider benefits by record rather than by member and therefore this count may be higher than the number of individual LGPS members.



2 Please note that this figure differs from the Scheme Advisory Board's 2022 Scheme annual report and we believe this is to do with how aggregated membership and multiple records have been treated. The figures in the table also differ due to the treatment of undecided members.

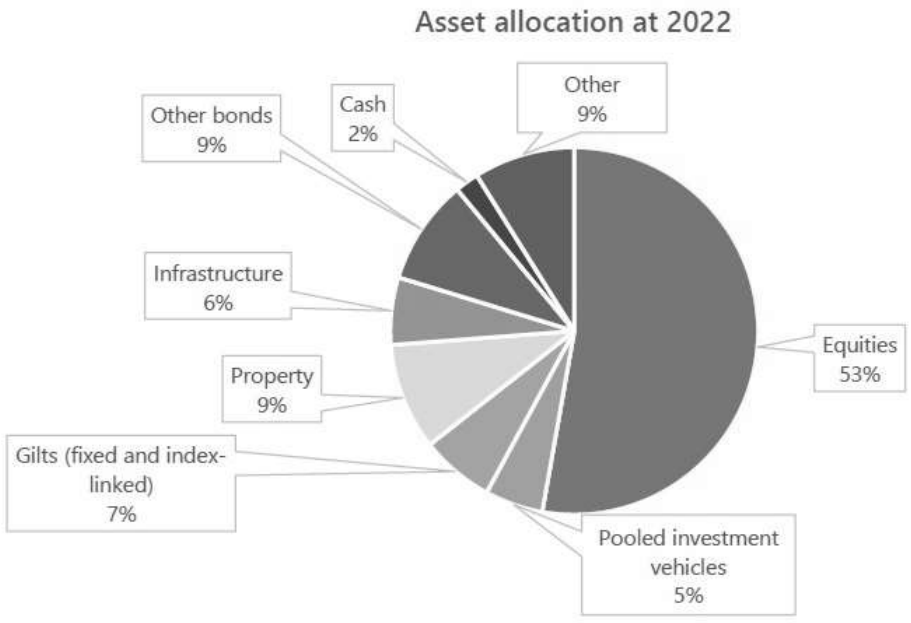
The following table sets out a comparison of the key membership statistics at the 2019 and 2022 valuations:

Membership summary	Number (000s)			Total annual pensionable pay/pension (£ms)			Average age	
	2022	2019	% chg	2022	2019	% chg	2022	2019
Actives	1,975	1,896	4%	39,229	34,370	14%	50.7	51.0
Deferreds	2,708	2,536	7%	3,947	3,540	11%	51.4	50.3
Pensioners	1,922	1,734	11%	9,659	8,636	12%	70.0	69.3
Total	6,605	6,166	7%					

Please note that the average ages disclosed in the 2022 valuation reports are weighted by pension or by liability depending on the Fund. The average age shown in the table above is a simple average of the disclosed average ages and so is representative of neither.

Investment strategy

The overall allocation of assets of the Funds analysed in this report is set out in the chart below. For some more specific asset classes an allocation has been made to a class which is believed to be appropriate.



This is roughly a 70/30 split between growth and protection assets (classing equities, pooled investment vehicles, property and infrastructure as growth assets). This is a similar split to 2019, however there are some differences to note:

- It appears that Funds are reducing the proportion of their assets held in bonds and gilts and are moving into more diversified strategies and into less conventional asset types; for example the "Other" allocation at 2019 was 7% but has now increased to 9%. This includes assets such as derivatives, unitised insurance policies and liability driven investments. In addition, the pooled investment vehicle allocation has increased from 4% to 5%.
- There has been a slight increase in allocation to infrastructure from 4% at 2019 to 6% at 2022.

Financial Assumptions

This section outlines findings split between the different key assumptions which are:

- Discount rate
- Inflation
- Real discount rate (margin above inflation)
- Salary increases

Discount rate

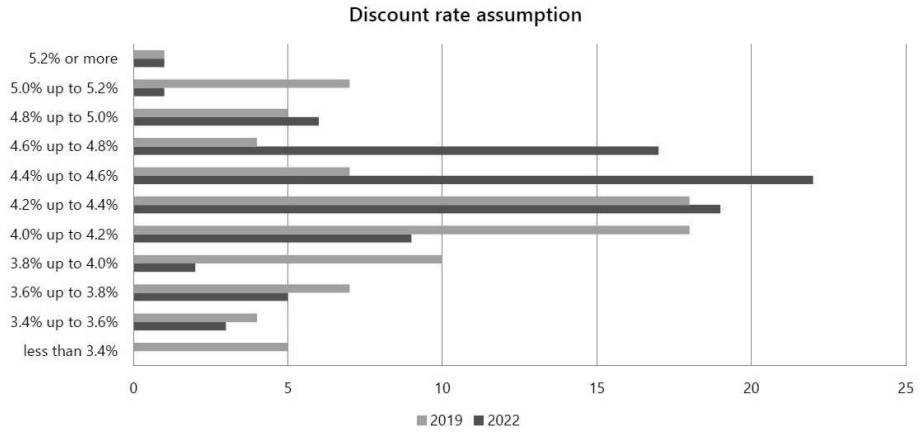
The discount rate assumption is the key assumption driving the value of each Fund's liabilities. To determine the value of accrued liabilities and future contribution requirements at any given point in time it is necessary to discount future payments to and from the Fund. There are a number of different approaches which can be adopted in deriving the discount rate to be used and the approach that is most appropriate will depend on the purpose of the valuation and the overall funding objectives and risk appetite of the Fund. Therefore each actuary and Fund will derive their assumptions in an appropriate way.

The discount rate sometimes varies between employers and employer groups in each Fund, reflecting covenant strength. It is important to note that analysis here is of the average discount rate for each Fund.

The average disclosed discount rate used in the valuation increased from 4.2% p.a. at 2019 to 4.3% p.a. at 2022, but spanned a smaller range of 3.4% to 5.2% p.a. compared with 3.1% to 5.3% p.a. in 2019. The average discount rate assumption of 4.3% roughly translates to an assumption of CPI plus 1.5%. This is

based on the average CPI assumption of 2.8% across the Funds but as noted above, the approach in deriving the discount rate differs by Fund. All else being equal, an increase in the discount rate decreases the value of the liabilities.

The chart below illustrates the number of Funds adopting discount rates within each range shown (and includes 2019 for comparison):



The majority of Funds saw an increase in the discount rate assumption since the last valuation. Out of the 85 Funds analysed, 55 Funds saw an increase, 20 Funds saw a decrease in the discount rate assumption and 10 Funds adopted the same discount rate assumption. The increase in discount rates would be largely driven by expectations of higher investment returns on assets whilst the reduction in discount rates have been primarily driven by an increased level of prudence adopted.

Inflation

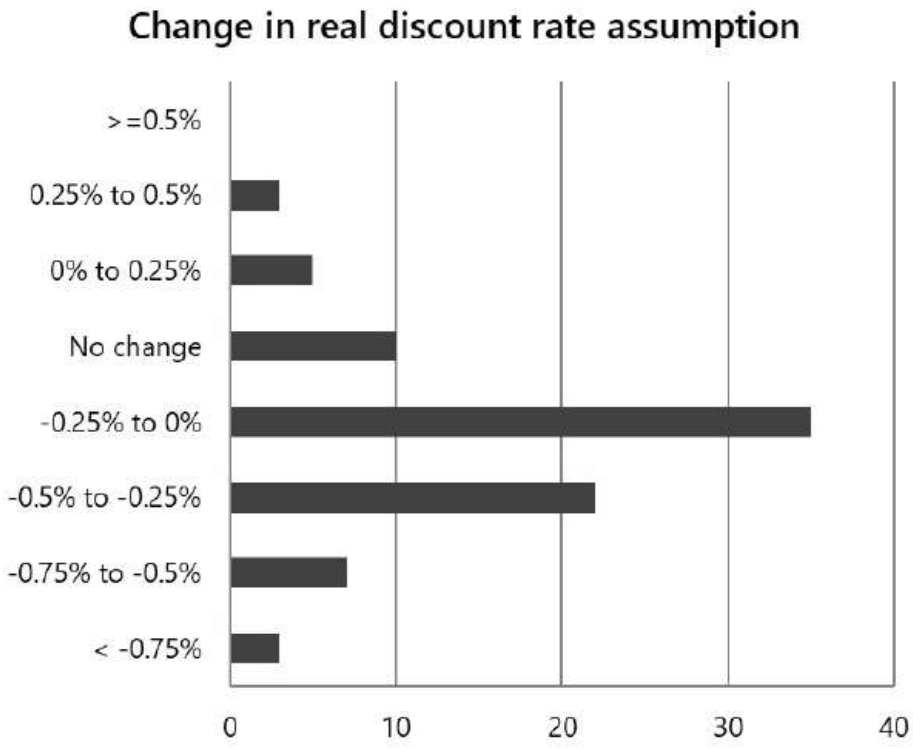
In the LGPS, the Consumer Prices Index (CPI) is the current inflation measure used to index pensions in payment and deferment, and to revalue members' CARE benefits for service accrued after 31 March 2014. The increase is set out each year in the public service pensions increase order issued by HM Treasury.

The average disclosed CPI inflation assumption used increased from 2.4% p.a. in 2019 to 2.8% p.a. in 2022. All else being equal, this would have led to an increase in the value of the liabilities as benefits are assumed to increase at a faster rate.

Real discount rate

The relationship between the CPI inflation assumption and the discount rate assumption, the real discount rate, is arguably the most important financial assumption. For example a 0.1% increase in the inflation assumption combined with a 0.1% increase in the discount rate assumption results in very little change to the estimated value of the liabilities but a 0.1% increase in the inflation assumption combined with a 0.1% decrease in the discount rate assumption, i.e. a fall in the real discount rate of 0.2%, could lead to an increase in the value of the liabilities of around 4%.

The graph below shows the change in real discount rate assumptions between the 2019 and 2022 valuations:



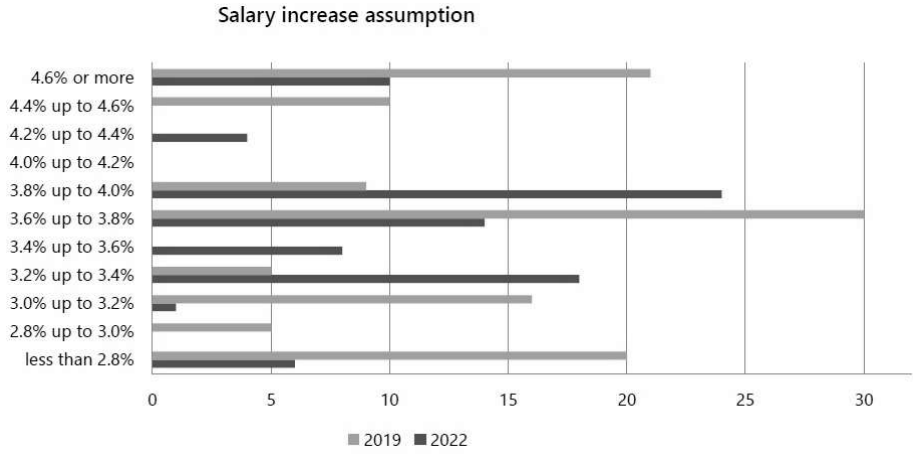
The majority of Funds saw a decrease in the real discount rate assumption which, all else being equal, would have led to an increase in the value of the liabilities. This would offset at least some of the improvements in funding position brought by the strong 2020/21 asset performance. Ten Funds saw no change in the real discount rate assumption whilst eight saw an increase.

Salary increases

As the LGPS is now a CARE scheme, the benefits earned after 31 March 2014 are revalued with inflation rather than salary increases. This means that the overall effect on valuation results of the salary increase assumption is less significant than it has been previously (ignoring any effects of McCloud remedies) and would not affect the contribution calculations. However, it still affects all pre-2014 accrued active liabilities.

In the intervaluation period, additional national pay awards were awarded to some employees participating in the LGPS. For lower paid workers these would have likely resulted in an increase in pay over the salary increase assumption used in the valuation. These increases may impact the pre 2014 past service liabilities as at 31 March 2022, depending on whether or not the award was included in the member data or whether an adjustment was made by the Fund actuary. Nonetheless, the reported average real salary increase (the difference between the salary increase assumption and the CPI inflation assumption) has marginally increased across the Funds from 0.8% in 2019 to 0.9% in 2022 which would increase the value of the active liabilities. The range of salary increase assumptions used by Funds has also marginally increased, reflecting the circumstances of the individual Fund.

The chart below shows the range of long-term salary increase assumptions used by Funds at this valuation and the previous valuation:



The average long term salary increase assumption across the Funds at 2022 was higher than the 2019 valuation, increasing from 3.2% to 3.7% which largely reflects the increase in the inflation assumption. Furthermore the range for the salary increase assumption widened slightly from 2.3% p.a. – 3.9% p.a. at 2019 to 2.7% p.a. – 4.6% p.a. at 2022.

At the 2019 valuation, Mercer applied a short-term overlay which allowed for a lower salary increase assumption in the short term. Mercer removed this approach for most of their Funds at 2022, however, we believe three Funds still retained a short-term overlay to their salary increase assumption. We understand that none of the other advisors applied a short-term overlay for 2022.

Please note that this analysis does not consider the use of promotional salary scales which have been used by some Funds.

Demographic assumptions

There are a number of demographic assumptions (also known as statistical assumptions) made as part of a valuation, such as post-retirement mortality, rates of retirement and rates of withdrawal from active service.

The key demographic assumption is the post-retirement mortality assumption as it influences how long each Fund expects pensions to be paid for. We analyse this further in this section.

Post retirement mortality

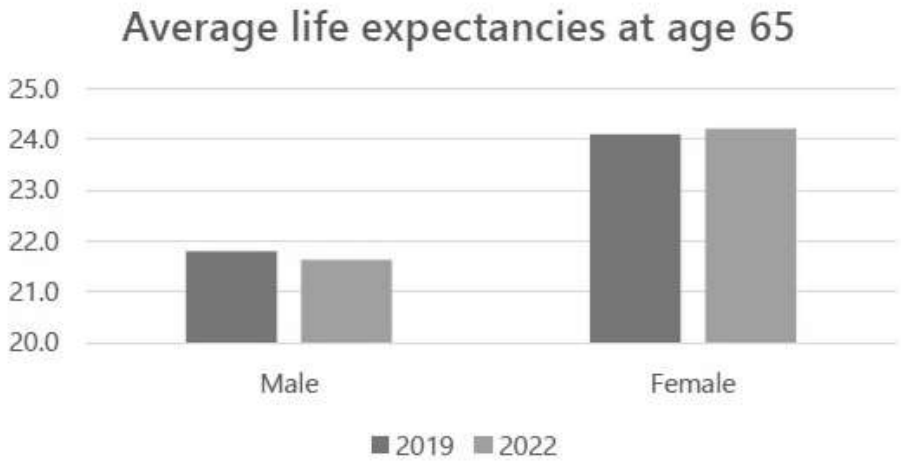
The post-retirement mortality assumption will generally vary from Fund to Fund as this may take into account the specific profile of each Fund and its members.

There are two aspects to consider in determining appropriate post-retirement mortality assumptions:

1. choosing an appropriate mortality base table assumption applicable today taking into account characteristics of the Fund members; and
2. making an appropriate allowance for mortality to improve in future.

The base table (and any adjustments made to it) will generally vary between Funds but the allowance for mortality to improve in the future is a more subjective assumption which will tend to be consistent between Funds, although the different actuarial firms have taken different views on what this should be and which version of the CMI Model to use.

The average life expectancies assumed at age 65 as set out in the dashboard are detailed in the chart below:



The average life expectancy assumption for males has reduced at 2022 compared to 2019. This is largely driven by the recent heavier mortality experience observed due to the

Covid-19 pandemic as well as lower expectations of improvements in future life expectancy observed in recent years (they have plateaued). The average life expectancy assumption for females has marginally increased at 2022 compared to 2019. Whilst there has been a small increase, the increase observed is still significantly lower than might be expected between valuations, showing that the assumption has taken into account recent experience. It is worth noting there is a large range of life expectancies adopted across all 85 Funds, and only 44 Funds saw an increase in their female life expectancies since 2019. This range is to be expected given the differing views on life expectancies of each administering authority and the different membership profiles of each Fund.

The assumptions used have resulted in a range of life expectancy assumptions across the LGPS as set out in the table below:

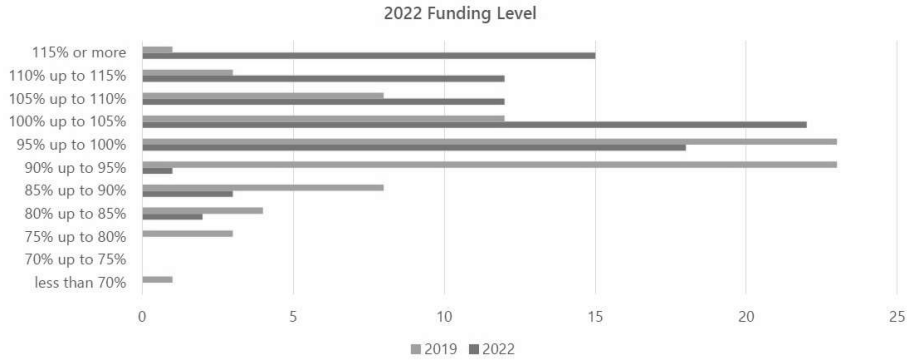
Life expectancy at age 65 (years)	Average	Minimum	Maximum	Range (max - min)
Male	21.6	19.5	23.2	3.7
Female	24.2	22.9	25.6	2.7

Funding results

Funding level

Based on the 85 reports analysed, the results of the 2022 valuation reported assets of £361.1bn and liabilities on local funding assumptions of £339.0bn, i.e. a surplus of £22.1bn and a funding level of 107%. This is an overall improvement compared to the position in 2019 which showed assets of £285.8bn and liabilities of £291.7bn i.e. a deficit of £5.9bn and a funding level of 98%.

The chart below shows the range of funding levels at 2022 and 2019:



As can be seen from the chart, there has been a significant improvement in funding levels across the LGPS since the 2019 valuation. Published funding levels ranged from 80% to 154% (an improvement from the range at 2019 of 70% to 125%), with an average of 106%3 (compared to an average of 96% at 2019). 61 Funds were reported as more than fully funded (i.e. higher than 100% funding level) as at 31 March 2022 compared to 24 Funds as at 31 March 2019.

All Funds analysed saw an improvement in funding level, however, this ranged from 1% for four Funds (Enfield, Hillingdon, Teesside and Waltham Forest) to 29% for the City of Westminster Pension Fund and the Royal Borough of Kensington and Chelsea Pension Fund. The Fund with the highest reported funding position was the Royal Borough of Kensington and Chelsea Pension Fund at 154% funded and the lowest reported funding level was the London Borough of Havering Pension Fund at 80% funded.

Local funding level versus real discount rate assumption

The chart below shows the range of funding levels on a local basis, against the real discount rate assumption (i.e. the margin above the CPI inflation assumption) adopted at 2022:

As can be seen in the chart above, there is no clear correlation between the real discount rate and the funding level. It can also be observed that there is a wide range of funding levels corresponding to each real discount rate. For example, the funding levels for Funds who adopted a real discount rate of 1.70% ranged from 92% to 154%. The differences in funding level will be due to the value of the

> Fund assets and the range of investment returns achieved by the individual Funds.

Tier 3 Employers

Since the 2016 valuation, there has been an additional focus on understanding the potential funding, legal and administrative issues in the Scheme relating to Tier 3 employers. Tier 3 employers are largely admitted and scheduled bodies that do not benefit from local or national tax payer backing. More information on Tier 3 employers has been set out by the SAB here.

Based on the information set out in the valuation dashboards, 12% of the total liabilities as at 31 March 2022 for the 85 Funds analysed were in respect of Tier 3 employers, which represents a slight increase from 11% of the total liabilities as at 31 March 2019.

SAB Standardised Basis

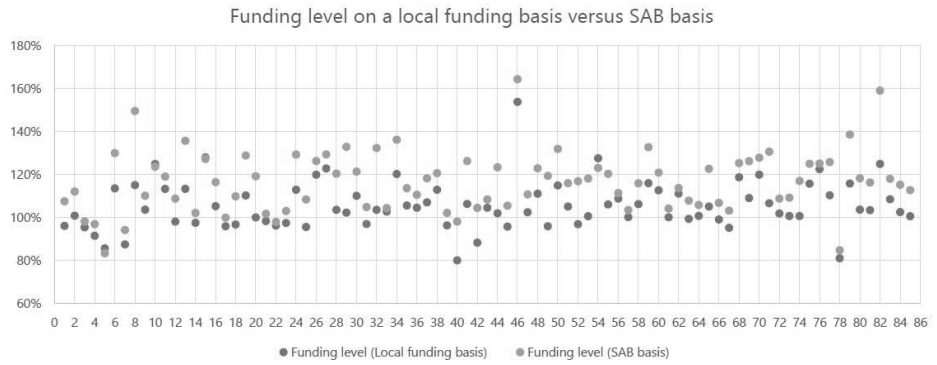
It should be noted that the funding positions above are calculated using local funding assumptions which will differ by Fund. Funds use different assumptions to reflect their individual circumstances and attitudes to risk. Funds were also asked to submit results on the same set of agreed assumptions to the Scheme Advisory Board (SAB) standardised basis.

The average funding level reported on the SAB basis was 117% which compares to the average reported funding level of 106% on the local funding bases. Please note that the average funding level is a simpler metric which does not take into account Fund size.

Further analysis is expected in the Section 13 report to be published by GAD.

Funding level on a local funding basis versus the SAB standardised basis

The chart below shows the funding levels as at 31 March 2022 on both the SAB basis and local funding basis for the 85 Funds analysed:



The majority of Funds were better funded on the SAB basis when compared to their local funding basis. There were four Funds with a lower SAB funding level, which ranged between 1% and 4% lower, and the other 81 Funds saw a SAB funding level that was between 2% and 34% higher than the funding level calculated on a local funding basis. The main reason for this will be that Funds include more prudence in their local funding basis compared to the SAB basis.

Contributions

The purpose of the 2022 actuarial valuations was to set appropriate contribution rates for each employer in the Scheme for the period from 1 April 2023 to 31 March 2026. This is required under Regulation 62 of the LGPS Regulations. Regulation 62 specifies four requirements that the actuary "must have regard to" when setting contributions and these are detailed below:

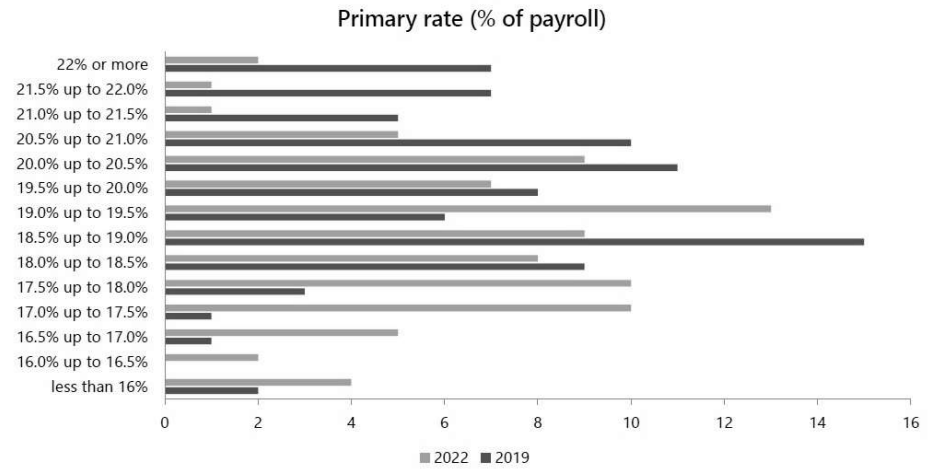
- "the desirability of maintaining as nearly constant a primary rate as possible";
- "the current version of the administering authority's funding strategy statement";
- "the requirement to secure the solvency of the pension fund"; and
- "the long-term cost efficiency of the Scheme (i.e. the LGPS for England and Wales as a whole), so far as relating to the pension fund".

The primary rate is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023. In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions certified for each employer. This secondary rate is based on their particular

circumstances and so individual adjustments are made for each employer.

Primary rate of contributions

The following chart shows the range of primary rates calculated at whole Fund level at 2019 and 2022:



Please note that the disclosed whole Fund level primary rate looks at the average rate payable by employers in the Fund. It may not be paid by any individual employer.

> The average primary rate increased from 18.6% of payroll p.a.4 at 2019 to 19.8% of payroll p.a. at 2022. As can be seen from the chart above, there has been a general trend of an increase in primary rates.

69 Funds saw an increase in average primary rate; 3 Funds saw no change in average primary rate and 13 saw a decrease in average primary rate.

Please note that these are the average primary rates at whole Fund level; individual employer primary rates will exhibit greater variability.

Secondary Rate of Contributions

> In terms of secondary contributions, the total amounts expected from employers are £488m, £425m and £443m for the 2023/24, 2024/25 and 2025/26 Scheme years respectively, which corresponds to an average secondary contribution of approximately 1.3% of payroll p.a. over the

three years (although this could vary significantly by Fund). The higher amount in year one is likely due to some employers having a preference to front end load their contributions. What is actually paid in secondary contributions may also vary if there are changes in timings to contributions.

Most secondary contributions will be certified as an amount to recover any deficit over a specified period or may be an amount to reflect any surplus attributable to an employer. 23 of the 85 Funds have reported total secondary contributions in 2023/24 as a negative amount. This could be due to the improvements in the funding levels observed and the secondary contribution rate being used to offset any increase in primary rate in order to maintain stable total contribution rates where appropriate.

There is limited information in the valuation reports about the length of surplus/deficit recovery periods used by Funds and participating employers and there may be more detail in each Fund's Funding Strategy Statement. Some Funds have reported an average recovery period and some have reported the longest agreed recovery period for their employers (and sometimes both).

It is not necessarily appropriate to consider a recovery period at Fund level for a number of reasons including:

- each employer or group of employers could be given their own recovery period depending on their individual circumstances; and
- some employers are in surplus and the surplus is not allocated to other employers so may result in a misleading whole Fund rate if it were assumed that it was shared.

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4 Figure not included in 2019 analysis as recalculated to be based on Funds included in 2022 analysis.

In addition, recovery periods are used by some Funds as a tool to reflect employer covenant and therefore different recovery periods are offered to different employers; this will also be set out in the Funding Strategy Statement of the relevant Fund.

> Based on the information set out in the valuation dashboards, there were no Funds with recovery periods greater than 20 years.

Total contributions

Combining the primary rate of contributions with the secondary rate of contributions, as a percentage of payroll the average total contribution rate at whole Fund level for the certified three year intervaluation period is lower at 2022 compared to 2019.

> The total average contribution for the three years following the 2019 valuation was 22.9% of payroll p.a.; this has fallen to 21.1% of payroll p.a. for the three years following the 2022 valuation.

Across the analysed Funds, there is significant variation in this change in average total contribution rate (ranging from a drop in total equivalent contributions of 27.1% of payroll, to an increase of 7.9% of payroll). The average change was a decrease of 1.5% of payroll, generally reflecting the reduction in secondary rates (due to strong asset performance helping to reduce deficits) balancing out the increase in primary contributions.

However, contributions are paid on an individual employer level rather than a whole Fund level, and we expect even more variation at the individual employer level.

Employee Contributions

In addition to employer contributions, employees also contribute towards the LGPS. The contributions for each member are set with reference to salary bands which are updated annually in line with CPI inflation. The average employee contributions have marginally increased from 6.5% of pensionable pay in 2019 to 6.6% of pensionable pay in 2022.

Please contact the Scheme Advisory Board secretariat for further information on the results of this research.

Appendix 1

List of LGPS Fund reports analysed (the two Environment Agency Funds we have excluded for the purposes of this analysis)

Local Government Pensions

SAB

England and Wales

Valuation Summaries

2022 Valuations - Report

2019 Valuations - Report

2016 Valuations - Summary

2016 Valuations - In Detail

2013 Valuations - Summary

2013 Valuations - In Detail

Fund Valuations

Fund Valuations 2022

Fund Valuations 2019

Fund Valuations 2016

Fund Valuations 2013

Fund Valuations 2010

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Accessibility Statement

Brent	**Pension Board** 08 November 2023
	Report from the Corporate Director, Finance and Resources

Members' Learning and Development

Wards Affected:	All
Key or Non-Key Decision:	Non-Key Decision
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two: Appendix 1 - Brent Pension Fund Training Plan Appendix 2 - Brent Pension Fund Training Strategy
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Finance sawan.shah@brent.gov.uk 020 8937 1955 George Patsalides, Finance Analyst george.patsalides@brent.gov.uk 020 8937 1137

1.0 Executive Summary

1.1 The purpose of this report is to inform members of the provision of a Local Government Pensions Scheme (LGPS) focused online pensions' learning facility for officers, Pensions Sub-Committee and Pension Board members.

2.0 Recommendation(s)

That the Pension Board:

2.1 Notes the report and supports the roll-out of the online learning programme provided by the Council's actuaries, Hymans Robertson LLP.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

3.2.1 In March 2021, the report to the Pension Board on member training and development set out expectations that all involved in the governance of public sector funds should evidence they have the knowledge, skills and commitment to carry out their role effectively and advised that officers were exploring opportunities for bespoke in person and online learning to assist members of Committee, Board and officers in fulfilling their responsibilities.

3.2.2 Furthermore, the Pensions Regulator has a clear expectation documented within its Code of Practice for the administration and governance of Public Sector Schemes, that schemes must regularly assess training opportunities to ensure that decision-making and oversight groups have an adequate level of knowledge to carry out their roles effectively.

3.2.3 There is also an expectation that the Scheme Advisory Board and the Pension Regulator will introduce requirements for schemes to undertake independent Governance Reviews and risk assessments to demonstrate the continuous education of Committee/Board underpinning the management of the Fund.

3.2.4 These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

3.2.5 While fund officers may deal with the day-to-day running of the funds, members of the Pension Fund Sub-committee and Pension Board play a vital role in the scheme, and to exercise their roles effectively must be able to address all relevant topics including investment matters, issues concerning funding, pension administration and governance.

3.2.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel has developed a technical knowledge and skills framework for the Local Government Pension Scheme. The framework demonstrates best practice and enables the Fund to determine that it has the appropriate mix of knowledge and skills necessary to discharge its governance requirements. It also assists officers and members in planning their training and development needs.

3.2.7 It is a statutory requirement that the Fund's annual report includes detailed information on training events offered and attended by elected members.

3.2.8 The LGPS Online Learning Academy (LOLA) has been developed by the Council's actuaries, Hymans Robertson LLP as an online training platform providing 'bitesize' learning modules. The varied subject matter provides the ability for individuals to absorb information at their own pace with access to further information on each module for a more in-depth understanding of a particular area. The course includes eight training modules and covers all the key areas to successfully manage the running of the Fund, including:

- Introduction to the LGPS and role of elected members
- Governance & Regulators and Business Planning
- LGPS administration, including policies and procedures, accounting, and audit
- LGPS valuations, funding strategy and LGPS employers
- Investment Strategy, pooling, responsible investment, and performance monitoring
- Current issues in the LGPS

3.2.9 As well as delivering training support, the training platform tracks the progress of training plans and provides a record of activity. The platform allows members to complete modules at a convenient time for them. The Fund is recommending that completion of modules should be accomplished at the pace of one module per calendar month beginning November 2023.

3.2.10 The proposed learning structure for the LOLA training platform, timetable and estimated time requirement is outlined below:

Title of Module	Module Content	Date to be completed	Time Requirement
Introduction	An introduction to LGPS Online Learning Academy	Nov-23	2 minutes
Module 1 – Committee Role and Pensions Legislation	An Introduction to Pensions Legislation An Introduction to Pensions Legislation - The role of a Councillor	Nov-23	37 minutes
Module 2 – Pensions Governance	LGPS Oversight Bodies - DLUHC & GAD LGPS Oversight Bodies - TPR Business Planning LGPS Governance	Dec-23	1 hour
Module 3 – Pensions Administration	Introduction to Administration Additional Voluntary Contributions Policies and Procedures	Jan-24	1 hour
Module 5 – Procurement and Relationship Management	Public Procurement	Feb-24	21 minutes

Module 6 – Investment Performance and Risk Management	Introduction to Investment Strategy LGPS Investment Pooling Performance Monitoring Responsible Investment	Mar-24	58 minutes
Module 7 – Financial Markets and Product Knowledge	Introduction to financial markets and product knowledge Markets, investment vehicles and MiFID II	Apr-24	43 minutes
Module 4 – Pensions Accounting and Audit Standards	Pensions Accounting and Audit Standards	May-24	21 minutes
Module 8 – Actuarial Methods, Standards and Practices	Introduction to Funding Strategy LGPS Actuarial Valuations - Process LGPS Valuation - Technical Employers	Jun-24	1 hour
Current Issues	Understanding McCloud Pensions Dashboards Understanding Goodwin Introduction to Cyber Risk GAD Section 13 Climate Change and TCFD McCloud Consultation June 2023 SAB and HM Treasury Cost Cap Mechanisms Next Steps on Investment (England & Wales) - Consultation overview	On going	

3.2.11 Note that the order of modules is arranged with consideration to important dates within the fiscal calendar, such as to coincide with closure of accounts.

3.2.12 Officers will bring a record of training undertaken on the platform by members of the committee and board to each meeting.

4.0 Stakeholder and ward member consultation and engagement

4.1 This is not applicable for this report.

5.0 Financial Considerations

5.1 The overall cost of the system is approximately £4k which covers the provision of licences for Pension Sub-committee, Pensions Board and relevant officers. This will be funded from the Brent Pension Fund.

6.0 Legal Considerations

6.1 There is a statutory duty for Pension Boards pursuant to The Local Government Pension Scheme Regulations 2013 and associated Statutory Guidance to evidence current levels of knowledge and understanding and for the Fund to

include detailed information on training events offered and attended by elected members in its annual report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are none arising directly from this report.

8.0 Climate Change and Environmental Considerations

8.1 There are none arising directly from this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are none arising directly from this report.

10.0 Communication Considerations

10.1 There are none arising directly from this report.

Report sign off:

MINESH PATEL
Corporate Director, Finance and Resources

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This is the proposed Training Plan for the Brent Pension Fund Committee and Board Members. The Plan aims to give an indication of the delivery method and target completion date for each area. On approval, officers will start to implement this programme, consulting with Members as appropriate concerning their availability regarding appropriate delivery methods.

Training need	Proposed delivery method							CIPFA Framework	Scheduled date	Feedback
	Officer briefings	Briefing note	Pre Committee/ Board training	Training event (internal or external)	Conferences or Seminars	E-learning	Webinars /videos			
Pensions legislation										
General introduction to the LGPS			✔				✔	1		
General pensions framework			✔			✔	✔	1		
LGPS Discretions and fornulation of policies			✔				✔	1		
Latest changes to the LGPS			✔				✔	1		
Pensions governance										
Understanding the role of the administering authority			✔				✔	2		
Understanding the general governance framework, including the role of MHCLG, SAB, TPR and other Regulators			✔				✔	2		
The role of the Pension Committee, the administering authority, Pension Board and scheme employers	✔	✔	✔				✔	2		
Understanding the role of the s.151 officer	✔	✔	✔					2		
Monitoring and management of fund risk	✔		✔	✔	✔		✔	2		
Managing conflicts of interest	✔	✔	✔			✔	✔	2		
Reporting breaches of the law		✔	✔			✔	✔	2		
Pensions administration										
General understanding of best practice in scheme administration (e.g. performance and cost measures)	✔	✔	✔	✔				3		
Appreciation of Fund policies, including the administration strategy			✔	✔				3		
Understanding of discretionary powers and their useage			✔	✔				3		
Overview of pension tax rules			✔	✔				3		
Understanding of the Fund's AVC arrangements, including investment choices and performance			✔	✔	✔			3		
Actuarial methods, standards and practices										
General understanding of the role of the actuary	✔	✔	✔	✔	✔		✔	8		
Understanding the valuation process (including the Funding Strategy Statement) and inter-valuation monitoring			✔	✔			✔	8		
Monitoring of early and ill health retirements		✔						8		
Understanding the process for enabling new employers to join the Fund, together with the cessation process		✔	✔	✔	✔		✔	8		
Understanding the pension implication of outsourcing and bulk transfers		✔	✔	✔	✔		✔	8		
Appreciation of the employer covenant		✔	✔	✔	✔		✔	8		
Pension accounting & auditing standards										
A general understanding of the Accounts and Audit Regulations, together with legislative requirements relating to internal controls and accounting practice			✔					4		
A general understanding of the role of internal and external audit		✔	✔					4		
A general understanding of the role played by third party assurance providers			✔					4		
Pension Services procurement & relationship management										
A general understanding of public procurement policy and the role of key decision makers and organisations			✔	✔	✔			5		
A general understanding of the main requirements of UK and EU procurement legislation			✔	✔	✔			5		
An understanding of the importance of considering risk factors for the Fund when selecting third party providers			✔	✔	✔			5		
Appreciation of how the Fund monitors and manages performance of outsourced providers			✔	✔	✔			5		

Investment performance & risk management										
A general understanding of the importance of monitoring asset returns relative to the liabilities			✔	✔	✔			6		
Understanding ways of assessing long term risk			✔	✔	✔			6		
Appreciation of the Myners principles and the approach adopted by the Fund			✔	✔	✔			6		
Appreciation of the range of support services available, who supplies them and the nature of the perfomance monitoring regime			✔	✔	✔			6		
Financial markets & products knowledge										
A general understanding of the risk and return characteristics of the main asset classes			✔	✔	✔			7		
Understanding the role of these asset classes in long-term Fund investing			✔	✔	✔			7		
Understanding the importance of the Funds Investment Strategy Statement			✔	✔	✔			7		
A general understanding of the financial markets and the investment vehicles available to the Fund, together with their associated risks			✔	✔	✔			7		
Understanding the legislative limits placed on investments within the LGPS			✔	✔	✔			7		
Understanding how the Fund interacts woth the UK and overseas taxation systems in relation to investments			✔	✔	✔			7		

Brent Pension Fund Training Log			
Subject/description of training	**Attendees**	**Date**	**Feedback**

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HYMANS ROBERTSON

Brent Pension Fund

Pension Committee and Pension Board Training Strategy

March 2021

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Training plan

Introduction

This is the training strategy of the Brent Pension Fund ("the Fund"). It has been established to aid the Pension Committee, Pension Board and Officers understanding of their respective responsibilities. This training strategy sets out how these key individuals within the Fund will obtain and maintain the necessary knowledge and understanding in order to fulfil their role.

Objectives

The Funds' objectives relating to knowledge and understanding are to:

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Housing, Communities and Local Government.

Pension Fund Committee members require an understanding of:

- Their responsibilities as an LGPS administering authority, as delegated to them by Brent Council;
- The requirements relating to pension fund investments;
- Controlling and monitoring the funding level; and
- Effective decision making in relation to the management and administration of the Fund.

Pension Board members must be conversant with –

- The relevant LGPS Regulations and any other regulations governing the LGPS;
- Any policy or strategy documents as regards the management and administration of the Fund; and
- The law relating to pensions and such other matters as may be prescribed.

Officers responsible for Fund management and administration must ensure they have the necessary knowledge and understanding to:

- carry out the tasks of managing the Fund's investments, administering the payment of benefits and communicating key messages to scheme employers, scheme members and their dependants.

The knowledge and skills required of staff should be set out in their job descriptions, including any formal qualifications required.

Compliance

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board (SAB), the Pensions Regulator and the Secretary of State.

CIPFA Knowledge and Skills Framework – Pension Fund Committees

Although there is currently no legal requirement for knowledge and understanding for members of the Pension Committee it is the Fund's opinion that, in accordance with the Scheme Advisory Board's (SAB) "Good Governance" project members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board.

The CIPFA framework, that was introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

Under each of the above heading the Knowledge and Skills Framework sets the skills and knowledge required by those individuals responsible for Fund's financial management and decision making.

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its code of practice 14 – *Governance and administration of public service pension schemes*. The toolkit covers 7 short modules, which are:

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

The modules of the Regulator's toolkit are by their very nature generic, having to cater for all public service pension schemes. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice they do not cater for the specific requirements of the individual public service schemes.

As a result the Regulator's toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation. Therefore, this toolkit should be used to supplement the existing training plans.

Timing

Ideally, targeted training will be provided that is timely and directly relevant to the Committee and Board's activities as set out in the Fund's business plan.

Approach

This Strategy sets out how the Fund provide training to members of the Pension Committee and Pension Board. Officers involved in the management and administration of the Fund will have their own section and personal training plans together with career development objectives.

- **Induction training** - Pension Committee and Pension Board members will receive induction training to cover the role of the Fund, Pension Board and understand the duties and obligations Brent Council as the Administering Authority, including funding and investment matters.

  It is anticipated that at least 2 day's annual training will be arranged and provided by officers to address specific training requirements to meet the Pension Committee and Pension Board's business plan. All members will be encouraged to attend this event.

- **External courses** - Additionally, a number of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund manager partners.

- **Conferences** - There are also a number of suitable conferences run annually, which will be brought to members attention where appropriate. Of particular relevance are the LGA Annual Governance Conference, LGA Fundamentals Training, National Association of Pension Funds (NAPF) Local Authority

Conference, the LGC Local Authority Conference, and the Local Authority Pension Fund Forum (LAPFF) annual conference.

Additionally, consideration will be given to various training resources available in delivering training to the Pension Committee and Pension Board members. These may include but are not restricted to:

- In-house and shared training events where it improves economy, efficiency and effectiveness
- Self-improvement and familiarisation with regulations and documents
- The Pension Regulator's e-learning programme
- Attending courses, seminars and external events
- Internally developed training days and pre/post meeting sessions
- Regular updates from officers and/or advisers
- Informal discussion and one-to-one sessions
- Formal presentations
- Circulated reading material
- E-learning

Flexibility

When considering training for members of the Pension Committee and Pension Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to ensure flexibility in the manner in which training is provided to support these different learning styles.

Maintaining knowledge

In addition to undertaking ongoing training to achieve the requirements of the CIPFA knowledge and skills framework Pension Committee and Pension Board members are expected to maintain their knowledge and understanding of topical issues through attendance at internal/external events and seminars where appropriate. We recommend that members sign up to the various industry communications such as those produced by the SAB, LGA, CIPFA and the Fund Actuary.

Owing to the changing world of pensions, it will also be necessary to attend ad hoc training on emerging issues or on a specific subject on which a decision it to be made in the near future.

Risk Management

The compliance and delivery of a training strategy is at risk in the event of-

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored within the scope of the training strategy to be reported to the s.151 officer where appropriate.

Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

Budget and costs

A training budget will be agreed and costs fully scoped.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

Effective date

This strategy comes into effect from 23 March 2021.

Review

This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

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Brent	**Pension Board** 08 November 2023
	Report from the Corporate Director, Finance and Resources

Brent Risk Register

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two: Appendix 1 – Risk Register Appendix 2 – Risk Strategy
Background Papers:	
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Finance sawan.shah@brent.gov.uk 020 8937 1955 John Smith, Pensions Manager john.smith@brent.gov.uk 020 8937 1985

1.0 Executive Summary

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 overall report including the key changes set out in section 3.5.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

3.2.1 Effective risk management is the foundation of sound corporate governance and the focus should be on all aspects of the pension 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.

3.2.2 It is recognised that risk management works well when the administering authority, the Pension 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 working party set up with the scheme manager, administrator and select employers for feedback and comment. The current Risk Strategy is attached to this report in Appendix 2 and it is proposed to review this later this year.

3.2.3 It has been agreed in previous Board meetings 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.

3.2.4 Key changes to the Risk Register:

Item 5.7 - Data migration risk deleted because the move to Civica (UPM) was completed in November 2022.

Item 9.2 – Risk changed to reflect geographical and economic risk in relation to investments. Risk score and comment updated.

3.2.5 There have been other changes made to the Risk Register at Appendix 1 to keep the document up to date. The changes are:

Item 1.21 - Comment updated
Item 2.1 - Comment updated
Item 4.3 - Score and comment updated
Item 5.2 - Comment updated
Item 5.3 - Control and comments updated
Item 6.2 - Risk and control updated
Item 6.3 - Comment updated
Item 6.4 - Risk, outline and comment updated

Item 8.2 - Comment updated
Item 8.4 - Control updated
Item 8.6 - Comment updated
Item 9.3 - Risk and outline, control and comment updated
Item 9.6 - Comment updated

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

3.2.7 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 Stakeholder and ward member consultation and engagement

4.1 This is not applicable for this report.

5.0 Financial Considerations

5.1 There are no specific financial implications relating to this report.

6.0 Legal Considerations

6.1 There are no specific legal implications relating to this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are none directly arising from this report.

8.0 Climate Change and Environmental Considerations

8.1 There are none directly arising from this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are none arising directly from this report.

10.0 Communication Considerations

10.1 This is not applicable to this report.

Report sign off:

Minesh Patel
Corporate Director, Finance and Resources

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The London Borough of Brent Pension Fund Risk Register 2023

Index	A	B	C	D	E	F	G	H	I	J
1	Risk Area Disaster Recovery	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
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	2023	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	2023	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	2024	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 (UPM) used by Brent Council Employers, Maintained Schools and Academies	1	6	6	LPP Shared Service Agreement	LPP	Annual	2024	LPP have a recovery plan in place for their pension admin platform UPM (External provider Civica). LPPA is ISO 27001 accredited and has Cyber Essential Plus accreditation, showing that LPPA have processes and procedures in place that keep information and systems secure.
2	Risk Area Business Continuity Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
2.1	Business Continuity	LPP Financial Standing	1	10	10	LPP Service Contract	Brent	Quarterly	Q2 2023/24	Brent Council discuss LPP budget at regular contract monitoring meetings. Full year 2022/23 reviewed, update awaited from LPPA for Q2 2023/24.
3	Risk Area Risk Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
3.1	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	Quarterly	Q3 2023/24	The Risk Register is monitored 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
4	Risk Area Data Security	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
4.1	Data Security	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	2023	Procedures on data security in place, systems kept up to date with latest security updates
4.12		Not backing up data regularly using secure backup systems	2	10	20	Data Back Up Procedures.	Brent	Annual	2023	Data is backed up on an incremental basis daily and fully backed up weekly, data kept in secure sites.
4.13		a) Clean desk polices 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	10	Brent Council Data Security Procedures	Brent	Annual	2023	Possibility of: a) Sensitive data being seen by unauthorised persons b) Data theft c) GDPR breached e) Brent Council's reputation put at risk
4.14		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	2023	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 Council's policies and dismissal from service
4.2	General Data Protection Regulations	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	2023	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
4.21		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	2023	Sensitive data being sent to an unauthorised person or business leading to breach of GDPR
4.3	Cyber Security	Unlawful 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	4	10	40	Brent Council Data Security Procedures LPP Cyber Security Procedures	Brent	Annual	2024	Both Brent and LPP have significant cyber security policies and procedures in place to prevent and deter cyberattacks. The impact of a cyber attack could be significant, so it is important for these to be permanently up to date. Brent Officers periodically review the current cyber security strategy ensuring that extensive measures are in place and up to date in order to safeguard the integrity, confidentiality and availability (ICA) of information. LPPA have also implemented a number of controls and technologies in relation to cyber security including network firewalls, daily backups online and to tape to protect against the loss of data, system corruption or ransomware and disaster recovery tests.
5	Risk Area Pension Administration	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment

5.1	(Scheme Data) Scheme Data Provided to LPP for: Maintained Schools Academies Employers	Missing common and Scheme Specific data not provided by employers, maintained schools and academies leads to delay in progressing administration for members	**5**	**10**	**50**	LPP Data Check	Brent	Quarterly	Q3 2023/24	LPP run a test of the data each quarter. These scores are included in the administation update report taken to each Pension Board meeting.
5.2	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	**3**	**7**	**21**	TPR Data Scores, Data cleanse project	Brent	Quarterly	Quarterly	Data quality has improved following multiple data cleanse projects and is now being monitored quarterly. The Fund has also commissioned a data cleanse project to carry out data mismatch analysis and record rectification in respect of pension data records held on LPPA's UPM system and Brent's Oracle system with a total 1404 records in scope.
5.3	(Employer Data) Maintained Schools Academies Employers Supplied Data to Capita	Failure by Maintained Schools, Academies, Employers to provide data accurately and on time to the LPP results in poor scheme data held by the LPP	**5**	**10**	**50**	Employer Engagement Employers Forum PAS 2023	Brent	Annual	2023	Employers to export data annually 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. Monthly returns have been rolled out to all employers from April 2023. Training to be provided to employers by the LPP on using the systems and what LPP requires from employers. The Pensions Administration Strategy allows the scheme manager to take action against employers that do not comply with their statutory and legal obligations to the Pension Fund. These actions will be considered should employers not respond to requests for information in a timely manner. LPPA are providing the Fund with a fortnightly update with the status of monthly scheme data returns for all employers. LPPA and officers are regularly contacting employers who have outstanding returns.
5.4	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 Knowledge sharing and transfer	Brent	Annual	Ongoing	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
5.5	Impact of Future Pandemics	Increase in staff who are unwell leading to: a) Delays in administrative processing and increase in backlog cases b) Member benefits being delayed c) Increase in complaints d) Difficulties in meeting key deadlines such as year-end Delays in implementing the agreed investment strategy due to volatile financial markets.	**5**	**2**	**10**	Brent Council Business Continuity Procedures LPP Business Continuity Procedures Hymans Robertson Business Continuity Plan (as Fund Actuary and Investment Advisors)	Brent	Ongoing	Ongoing	Situation is being monitored on an ongoing basis. Staff to observe Government and NHS guidance. Increased use of flexible and remote working technologies are now in place to enable staff to operate in an efficient and effective manner. The Pensions Administration and Finance team are able to work from home and in offices.
5.6	Transfer of LPP Administration System from Heywoods to Civica	Risk in transferring of LPP Admin systems from Heywoods to Civica: a) Delays in timely completion of transfer leading to delayed administrative processing b) Inaccurate transfer of scheme data from one system to the other leading to incorrect calculations of member benefits c) Members benefits being delayed d) Increase in complaints e) Places an unwarranted and costly drain on Brent resources of providing service to its members	**1**	**7**	**7**	Risk and Project Plan	LPP	Ongoing	Ongoing	LPPA have rollied out a new pension administration system which is made by Civica and called Universal Pensions Management (UPM). The UPM system replaced 5 different systems including Altair, LPP's workflow management system (CMS), both YourFund employer portals and the My Pension Online member self-service portal. The overall project is called project PACE. Project PACE is being delivered by a dedicated team of project managers and ringfenced project roles to ensure no impact to the day to day performance of the business. LPPA has successfully migrated all 18 clients on to the UPM platform. The Brent Fund went live on 11th November 2022. Performance has been impacted due to spikes in work created by the phase 2 migrations and a project has been launched to ensure that performance is returned to targets as soon as possible. LPP are providing Brent officers with regular updates in monthly meetings. Updates are also being provided to the Pension Board.
6	**Risk Area Plan Events**	**Risk Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
6.1	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	**4**	**10**	**40**	Plan Calendar	Brent	Annual	2023	Plan Calendar to identify events: a) What work is required b) What recourses will be used c) Completion and sign off
6.12		Pension projects such as: a) Changes in legislation that needs to be actioned b) GMP equalised for men and woman	**5**	**10**	**50**	Plan Calendar	Brent	Annual	2023	To allow longer term planning for items such as: a) New legislation coming in to effect b) Ensure Plan events are completed on time c) Prepare for GMP equalisation
6.2	Annual Benefits Statements 2023/24	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 and PAS. Scheme employers are chased on a regular basis.	Brent	Annual	2024	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. Scheme employers are required to submit an end of year return in order to be able to produce an ABS. Following submission of the return, employers may be required to respond to queries to clarify any data on the return before an ABS can be produced. It is therefore important that end of year returns are received promptly. Delays in submission of returns can lead to a risk that the ABS are not issued by the deadline. Where returns have not been promptly received, Brent and LPP will work together directly with employers to ensure prompt and accurate submission of end of year returns.

6.21		Annual Benefits Statement dependant on: a) Common Data b) Scheme Specific data c) Data being improved from the Record Keeping Plan (RKP)	**5**	**10**	**50**	LLP Shared Service Agreement	Brent	Annual	2023	Improvement to common and Scheme Specific data being carried out under RKP.
6.3	Deferred Member Benefit Statements 2022/23	Incorrect Statuses, no address, missing data to calculate leads to: a) Statements not being issued b) Statements inaccurate c) Incorrect valuation and liabilities for the Plan.	**5**	**10**	**50**	LLP Shared Service Agreement	Brent	Annual	2023	Member data is being dealt with under the Record keeping Plan. Consider address tracing as they approach SPA (people who move tend to move again).
6.4	Monthly End Return	Failure to complete monthly return and submit on time leads to fines	**4**	**10**	**40**	PAS Employer Training Sessions	Brent	Annual	2023	The Fund moved to monthly returns from April 2023. Completion of returns by employers is being monitored by the Fund and employers who are yet to submit a monthly return have been contacted and are being chased for returns by officers. Training sessions are provided to employers to assist completion.
6.5	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	Quarterly	2023	Admission agreements are regularly reviewed by officers in finance and legal to resolve issues encountered in the admission agreement process and progress to completion.
6.52		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	Quarterly	2023	Admission agreements are regularly reviewed by officers in finance and legal to resolve issues encountered in the admission agreement process and progress to completion.
6.53		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	Quarterly	2023	Overseeing of the legal team on admission agreement by the Scheme Manager to ensure no delays and prompt processing of agreement becomes a priority
6.54		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	Quarterly	2023	Breaches log to bring attention of failing and lessons learned in processing admission agreements
7	**Risk Area Auto Enrolment**	**Risk Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
7.1	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**	**10**	**10**	Auto Enrolment Procedures	Brent	Ongoing	Ongoing	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
8	**Risk Area Regulatory**	**Risk & Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
8.1	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	2023	Administration processes check for fraud
8.2	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	2023	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. The Fund is in process of rolling out e-learning to all pension committee and board members, this is expected to go live in November 2023.
8.3	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	2023	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.
8.4	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 being done late	**1**	**3**	**3**	Multi areas cover governance: a) Plan Rules b) Business Plan c) PAS 2023 d) Scheme Manager e) Pensions Board f) Pensions Sub Committee	Brent	Ongoing	2023	Governance is monitored by: a) Scheme Manager b) Pensions Board c) Pensions Sub Committee d) Internal and External Controls
8.5	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	2023	The oversight of the plan is carried out by the Scheme manager with assistance from the Pension Board

8.6	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**	Corporate Director, Finance and Resources	Brent	Annual	2023	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. A review of discretions is currently under way and is expected to be completed shortly.
8.7	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
9	**Risk Plan Funding & Accounting**	**Risk & Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
9.1	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	Monthly	Monthly	Contributions are checked on a monthly basis Overdue Contributions: Employers Academies Maintained Schools Are actively chased
9.11			**1**	**10**	**10**	The Funding Strategy Statement	Brent	Triennial	2025	A report on the 2022 Triennial Review (including the Funding Strategy Statement) was presented to the Pension Board at the March 2022 meeting. Next triennial valuation 2025.
9.12			**1**	**10**	**10**	Fund's Funding Level Assessment	Brent	Monthly	Monthly	The Fund receives regular performance reports on its investments from the custodian. The Fund actuary, Hymans Robertson, completes a valuation of liabilities every 3 years.The proposed final valuation report was presented to the Pension Sub-committee in February 2023 and the Pension Board in March 2023.
9.2	Geographical and economic risk in relation to investments	Significant volatitility and potential downturn in global investment markets following disruptive geopolitical events and economic uncertainity.	**8**	**8**	**64**	The Fund holds a well-diversified portfolio of assets, which has been invested in line with the investment strategy statement	Brent	Ongoing	Ongoing	Officers, in conjunction with our investment advisors, fund managers, London CIV and actuary, are monitoring events on an ongoing basis and continually assessing risks in relation to geopolital events. The Fund's investment advisor provides advice and updates to the Pension sub-committee on the Fund's investment strategy and performance at every meeting. The Fund holds a well diversified investment portfolio which includes a mixture of growth, income and protection assets and limits concentration in any one specific market.
9.3	Impact of McCloud judgement on Long Term Liabilities	Court of Appeal ruling that transitional protections were unlawful on the grounds of age discrimination could increase employer contributions. The scope of McCloud has broadened and the software providers are facing challenges in implementing the full scope of the remedy.	**8**	**6**	**48**	Triennial valuation/ Funding Strategy Statement. Targeted data cleansing and using bespoke speadsheets until the software is implemented.	Brent	Quarterly	Ongoing	This risk continues to evolve and two sets of tax rectification regulations have been produced and the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 came into effect from 1 October 2023. DLUHC will conduct a further consultation on McCloud in February 2024 and it is likely that greater administration resource will be required at a cost to the Pension Scheme. Further development work is being carried out by Civica to implement the remedy and improve functionality.
9.4	Exit Pay Reforms	There is potential for new legislation to be introduced which will alter the way redundancy benefits are carried out for members aged 55 and over.	**2**	**6**	**12**	Governance & Compliance	Brent	Quarterly	Ongoing	On 12 February 2021, The Chancellor of the Exchequer determined that the Restriction of Public Sector Exit Payments Regulations 2020 Regulations should be withdrawn, this was revoked on the 25th February 2021. On 8 August 2022, HM Treasury (HMT) launched a new consultation on public sector exit payments proposing to introduce an expanded approvals process for employee exits and special severance payments, and additional reporting requirements. In light of this, Brent Officers will continue to monitor such updates, liaise with the Fund actuary and update the Pensions Board accordingly.
9.5	Pension Contributions not Paid by: Maintained Schools Academies Employers a) On time b) Or not at all c) Refusal to pay	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	Ongoing	Ongoing	Procedures in place to deal with pension contributions not being made or late
9.51			**2**	**10**	**20**	PAS	Brent	Annual	2023	Engaging with: a) Employers b) Academies c) Maintained Schools d) With working parties and employer forums e) LPP to provide more support in this area
9.52			**2**	**10**	**20**	PAS	Brent	Annual	2023	Contributions are monitored on a monthly basis and late or non payers reported. 2023 Revised PAS includes fines for non compliers.
9.6	Pension Plan Accounting	Failure to comply with accounting regulations will lead to serious consequences: a) Possible fines b) Loss of reputation	**2**	**10**	**20**	Annual audit	Brent	Annual	2024	Final accounts for 2022/23 have been published.
9.61			**1**	**10**	**10**	Triennial valuations	Brent	Triennial	2025	2022 triennial completed. Next triennial valuation 2025
9.62			**1**	**10**	**10**	The Funding Strategy Statement	Brent	Triennial	2025	A report on the 2022 Triennial Review (including the Funding Strategy Statement) was presented to the Pension Board at the March 2022 meeting. Next triennial valuation 2025.
9.63			**1**	**10**	**10**	Fund's Funding Level Assessment	Brent	Annual	Annual	The Fund receives regular performance reports on its investments from the custodian. A valuation of assets and liabilities on an accounting basis is completed annually. The Fund actuary, Hymans Robertson, completes a valuation of liabilities every 3 years.

9.7	Inflation is higher than expected	Price inflation is significantly more than anticipated in the actuarial assumptions. High inflation: a) increases the Fund's liability as pensions in payment are linked to CPI inflation b) places short-term pressure on the Fund's cashflows to meet increased benefit payments and increase the demand for investment income.	**10**	**4**	**40**	Triennial valuations Investment Strategy Cashflow modelling	Brent	Ongoing	Ongoing	Inflation has risen significantly over the last 2 years due labour shortages, supply chain issues, and high energy prices. Inflation is reviewed at each triennial valuation and the actuary is challenged as required. The Fund's investment strategy is routinely reviewed and the Fund is a long-term investor and takes a long-term view on market conditions and inflation. A significant proportion of the Fund's assets are growth assets which are expected to outperform inflation over the longer term. The pension fund completed a review of its investment strategy following the 2022 valuation.

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London Borough of Brent

Risk Strategy

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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 Sub-Committee, 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
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
Medium to High	50 to 75	5	10	50	Risk manageable	Managed	Active and pro active longer term plans in place, subject to close monitoring and rapid action if required
High	75 to 100	8	10	80	Risk having a major impact	Planned actions in place	Action plans in place, monitored weekly, longer term before risk will reduce

Green Low

Yellow Low to Medium

Orange Midium to High

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 have been identified are not recorded, monitored and carried out, will lead to risk mot 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

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London Borough of Brent Pension Fund

Q2 2023 Investment Monitoring Report

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HYMANS ROBERTSON

Executive Summary

Performance Summary
The assets combined to return 0.5% over the quarter to 30 June 2023.

Global equities rose 4.2% in sterling terms over the second quarter, buoyed by better-than-expected earnings and AI inspired optimism around the technology sector. UK equities ended marginally negative (-0.5%) as commodity price declines and global manufacturing weakness weighed on the energy and basic materials sectors.

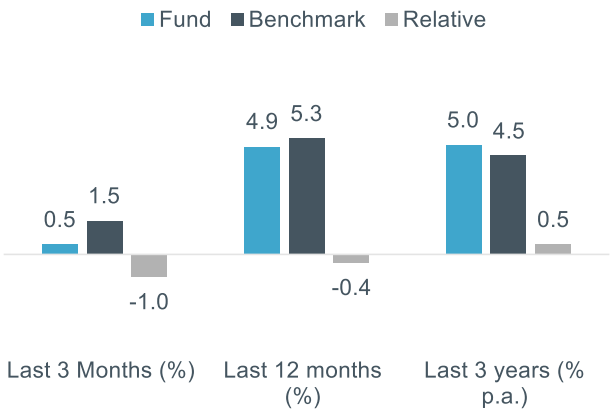
UK gilt yields surged as disappointing inflation data was compounded by heavy issuance and BoE gilt sales. UK investment grade credit, also recorded negative total returns as the rise in underlying gilt yields more than offset a fall in credit spreads.

In response to a run of higher-than-expected inflation, the Bank of England raised rates by 0.75% p.a. in Q2 to 5.0%, including a surprise 0.5% p.a. increase in June.

Key points to note

- The Fund has posted a positive return over the quarter, ending the period with a valuation of £1,125.7m up from £1,116.4m at the end of Q1 2023.
- The Fund's passive global equity exposure was the main driver of positive return on an absolute basis, while the income and protection assets, on aggregate, detracted from the total Fund return.
- On a relative basis the Fund trailed its benchmark by 1.0% with the income component proving to be the largest detractor as the LCIV multi-asset funds and private debt allocations trailed their respective benchmarks.
- The cash held by the Fund increased over the period to £29.4m.

Fund performance vs benchmark/target



High Level Asset Allocation

	Actual	Benchmark	Relative
Growth	59.6%	58.0%	1.6%
Income	29.6%	25.0%	4.6%
Protection	8.2%	15.0%	-6.8%
Cash	2.6%	2.0%	0.6%

Whilst on the journey to its interim and long term targets for Property, Infrastructure and Private Debt, the current agreement is that the Fund will hold a higher allocation to DGF's.

Asset Allocation

Following the results of the 2023 investment strategy review, the following target allocations were agreed:

Interim
Growth – 58%
Income/Diversifiers – 25%
Protection plus cash – 17%

Long-term
Growth – 50%
Income/Diversifiers – 35%
Protection – 15%

The Fund is broadly in line with the interim target allocations for growth assets, overweight to income assets and similarly underweight to protection assets.

The LCIV infrastructure and private debt funds remain in their ramp up phase. We expect the Fund's commitments to continue to be drawn down over 2023.

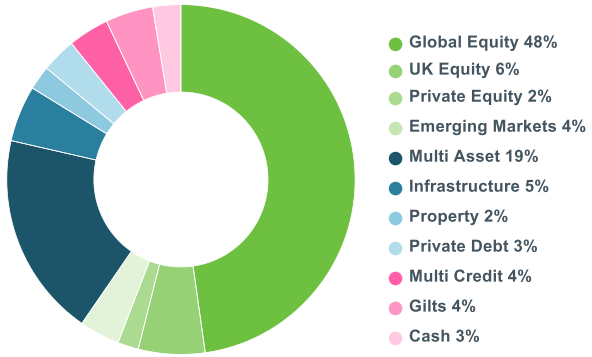
2023 investment strategy review
The 2023 investment strategy review supported the 50% long-term allocation to Growth assets. The Fund is overweight to this long-term target and the review recommended rebalancing into Protection assets (among other recommendations). Changes to the benchmark allocations will be reflected in future reports.

Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2023	Q2 2023			
LGIM Global Equity	488.2	508.3	45.2%	40.0%	5.2%
LGIM UK Equity	69.8	69.5	6.2%	5.0%	1.2%
Capital Dynamics Private Equity	24.4	21.8	1.9%	5.0%	-3.1%
LCIV JP Morgan Emerging Markets	43.3	42.2	3.7%	5.0%	-1.3%
Blackrock Acs World Low Crbn	28.1	29.4	2.6%	3.0%	-0.4%
Total Growth	**653.9**	**671.2**	**59.6%**	**58.0%**	**1.6%**
LCIV Baillie Gifford Multi Asset	123.7	121.1	10.8%	6.0%	4.8%
LCIV Ruffer Multi Asset	98.6	92.1	8.2%	6.0%	2.2%
Alinda Infrastructure	17.2	16.9	1.5%	0.0%	1.5%
Capital Dynamics Infrastructure	2.6	2.3	0.2%	0.0%	0.2%
LCIV Infrastructure	36.8	39.1	3.5%	5.0%	-1.5%
Fidelity UK Real Estate	13.7	13.8	1.2%	1.5%	-0.3%
UBS Triton Property Fund	11.4	11.4	1.0%	1.5%	-0.5%
LCIV Private Debt Fund	34.8	36.0	3.2%	5.0%	-1.8%
Total Income	**338.8**	**332.7**	**29.6%**	**25.0%**	**4.6%**
LCIV CQS MAC	41.9	42.7	3.8%	5.0%	-1.2%
BlackRock UK Gilts Over 15 yrs	54.2	49.7	4.4%	10.0%	-5.6%
Total Protection	**96.1**	**92.4**	**8.2%**	**15.0%**	**-6.8%**
Cash	27.7	29.4	2.6%	2.0%	0.6%
Total Scheme	**1116.4**	**1125.7**	**100.0%**	**100.0%**	

Figures may not add up due to rounding. The benchmark currently shown as the interim-target allocation as the first step in the journey towards the long-term target. As the Fund's allocations and commitments to private markets increase over time, we will move towards comparison against the long-term target.

Asset class exposures



Source: Investment Managers

Manager Performance

Total Fund return was marginally positive during the period on an absolute basis but underperformed on a relative basis. Performance over the past 12 months remains slightly behind benchmark; however, performance over the past 3 years is ahead of target.

Global equities continued to provide positive returns, registering double digit performance over the last 12 months.

Capital Dynamics' private equity mandate ended the period in negative territory. However, it is worth noting that the allocation is in run down and represents a small allocation within the Fund.

Yield volatility over Q2, saw the UK gilts allocation end the period in negative territory. This also attributed to the performance of the LCIV Multi-Asset funds held as part of the income component as the fall in spreads was offset by rising UK gilt yields.

The property market saw some respite from the recent fall in valuations registering a small positive return as capital values stabilised. The Fidelity real estate fund outperformed its benchmark by +0.7%.

Manager 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	4.1	4.2	**-0.0**	13.7	13.8	**-0.1**	11.3	11.4	**-0.1**
LGIM UK Equity	-0.4	-0.5	**0.0**	8.0	7.9	**0.1**	10.1	10.0	**0.1**
Capital Dynamics Private Equity	-6.5	4.3	**-10.4**	-14.0	14.9	**-25.2**	3.5	12.7	**-8.1**
LCIV JP Morgan Emerging Markets	-2.6	-1.9	**-0.8**	3.7	-2.8	**6.7**	3.0	1.3	**1.6**
Blackrock Acs World Low Crbn	4.8	3.9	**0.9**	12.9	13.2	**-0.3**	-	-	**-**
Income									
LCIV Baillie Gifford Multi Asset	-2.1	1.6	**-3.7**	-1.8	5.3	**-6.7**	0.3	3.3	**-2.9**
LCIV Ruffer Multi Asset	-6.6	1.6	**-8.1**	-1.2	5.3	**-6.2**	4.8	3.3	**1.5**
Alinda Infrastructure	-	-	**-**	10.7	9.9	**0.7**	11.7	8.6	**2.8**
Capital Dynamics Infrastructure	-	-	**-**	-9.4	9.9	**-17.6**	-14.7	8.6	**-21.4**
LCIV Infrastructure	-	-	**-**	7.6	9.9	**-2.2**	4.7	8.6	**-3.6**
Fidelity UK Real Estate	1.0	0.4	**0.7**	-17.1	-17.4	**0.4**	-	-	**-**
UBS Triton Property Fund	0.2	0.4	**-0.2**	-	-	**-**	-	-	**-**
LCIV Private Debt Fund	-1.2	1.5	**-2.6**	11.6	6.0	**5.3**	-	-	**-**
Protection									
LCIV CQS MAC	1.9	1.6	**0.3**	5.7	5.2	**0.5**	2.3	3.2	**-0.9**
BlackRock UK Gilts Over 15 yrs	-8.3	-8.3	**0.0**	-24.9	-24.9	**0.0**	-19.7	-19.8	**0.1**
Total	0.5	1.5	**-1.0**	4.9	5.3	**-0.4**	5.0	4.5	**0.5**

This table shows the new performance target measures, implemented from 2020. Please note the 3-year return is on the old benchmark basis.

Performance from Alinda, Capital Dynamics and the LCIV Infrastructure funds is based on information provided by Northern Trust. For such investments, we focus on longer term performance. There are also alternative measures to assess performance detailed in the individual manager pages. This is also the case for Private Equity and Private Debt (see below) as asset classes.

Source: Fund performance provided by Investment Managers and is net of fees.
Benchmark performance provided by Investment Managers and DataStream

Manager Performance

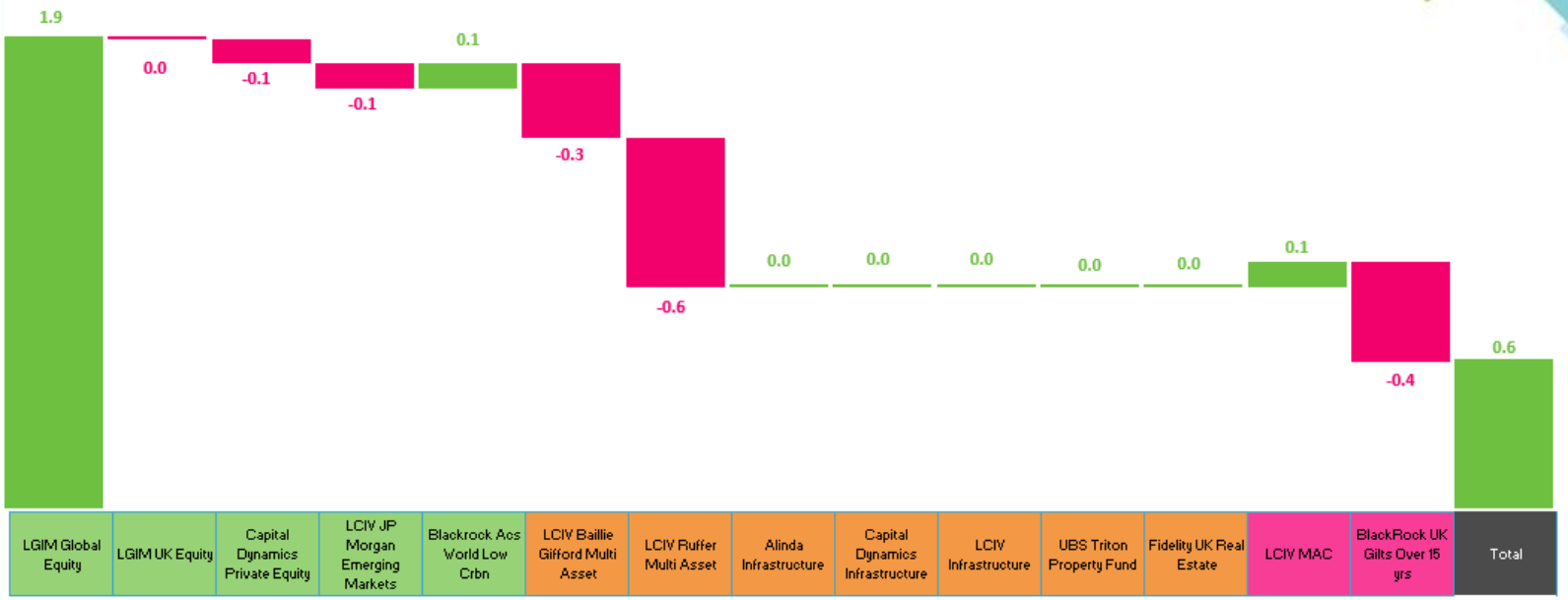
This chart highlights each mandate's contribution to the Fund's absolute performance over the quarter according to their allocation.

The largest contributor to performance over the period was LGIM's Global Equity fund, given its positive performance and its sizeable allocation of c.45%.

This positive performance was offset by the underperformance of both the LCIV Ruffer multi-asset fund and the LCIV Ballie Gifford multi-asset fund, despite their contrasting investment approaches.

Despite negative returns posted by the Capital Dynamics Infrastructure and LCIV JP Morgan Emerging Market Equities fund, these mandates have allocations of c2% and c4% respectively, of the total Fund, hence did not detract materially from the Fund's overall performance.

Fund performance by manager



Please note that due to rounding, the total performance shown above may not add to the total quarterly performance shown on page 3 of this report.

Source: Fund performance provided by Investment Managers and is net of fees.

Manager Ratings

There were no manager rating changes to existing managers over the period.

There have been no changes to RI ratings over the period.

Information on the rating categories can be found in the appendix.

RAG status reflects the long-term performance of each mandate. Manager developments reflect any key changes over the quarter and how this may affect the mandate.

RAG Status Key (assessment of longer-term relative performance):
- Red: Significant underperformance
- Amber: Moderate underperformance
- Green: Performance in line / above benchmark

The pages that follow cover in further detail managers who have an amber/red performance rating.

Manager ratings

Manager/Mandate	Asset Class	Hymans Rating	RI Rating	Performance	Manager Developments
LGIM	Global Equity	Preferred	Strong	●	●
LGIM	UK Equity	Preferred	Strong	●	●
Capital Dynamics	Private Equity	Suitable	Not Rated	●	●
LCIV JP Morgan	Emerging Markets	Suitable	Adequate	●	●
BlackRock	Acs World Low Crbn	Preferred	Adequate	-	●
LCIV Baillie Gifford	Multi Asset	Positive	Good	●	●
LCIV Ruffer	Multi Asset	Positive	Adequate	●	●
Alinda	Infrastructure	Not Rated	Not Rated	●	●
Capital Dynamics	Infrastructure	Not Rated	Not Rated	●	●
LCIV	Infrastructure	Not Rated	Not Rated	●	●
LCIV	Private Debt	Not Rated	Not Rated	-	●
Fidelity	UK Real Estate	Preferred	Good	-	●
UBS	UK Property	Preferred	Good	-	●
LCIV	Multi Credit	Suitable	Not Rated	●	●
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated	●	●

Fidelity business update

William Stoll, the Co-Portfolio Manager for the Fidelity UK Real Estate Fund, has taken enhanced parental leave from May 2023 to November 2023 (6 months). Alison Puhar, who is the lead PM for the UK fund will continue to manage the portfolio in William's absence.

Sam Denning, Real Estate Manager based in Canon Street will cover William's asset management and investment work during his leave. Sam has over 17 years of experience, having worked at ING Real Estate Investment Management and then CBRE Investment Management, where he served a Director with responsibility for several discretionary pension fund property portfolios.

Based on Q2 meeting with the Fidelity UK Real Estate team, the volume of reduction is small, and the team is continuing its sale process and will be able to pay-out redemption requests on a pro-rata basis.

UBS business update

At the company level, UBS announced the proposed acquisition of Credit Suisse on 19 March 2023. All investors and their consultants were sent a signed letter from UBS with additional details. We note Nasreen Kasenally, became Asset Management Chief Operating Officer (COO) and Country Head AM UK in May 2023, replacing Michelle Bureaux. Also, in Q2, Daniele Brupbacher has been appointed as Chief Strategy Officer for the Group's divisional strategy team..

BlackRock business update

Lance Braunstein appointed to the GEC as Head of Aladdin Engineering. No other changes reported in Q2 2023.

Source: Investment Managers

We have included further detail on the following mandates this quarter:

- LCIV Baillie Gifford
- LCIV Ruffer

Manager commentary

- The LCIV Baillie Gifford and LCIV Ruffer funds are multi-asset funds, meaning the managers invest in multiple asset classes, including equities and bonds, and diversifying assets such as property and infrastructure.
- As shown on page 4 of this report, performance from both funds is behind benchmark over the quarter and also over 12 months. Baillie Gifford's performance is also behind benchmark over 3 years. Ruffer's performance is ahead of benchmark when assessed over a 3 year period.
- We would note that the benchmark return for each fund (the return on cash+3% p.a.) has increased recently due to the increase in the Bank of England Base Rate.
- The table below shows how the performance of these funds compares with the median return from around 50 multi-asset funds over periods ending on 30 June 2023 (source: eVestment).

	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
LCIV Baillie Gifford	-2.1	-1.8	0.3	0.2
LCIV Ruffer	-6.6	-1.3	4.8	4.3
Median return	-0.5	2.0	3.6	2.8

- Both funds have reduced their exposure to equities and increased their exposure to bonds. This reflects a relatively cautious view of future economic growth (leading to reductions in equity exposure) and the relatively more attractive yields available on bonds currently. This re-positioning of the portfolios has not been rewarded in terms of performance to date.
- From a strategic perspective, we expect that the Funds allocations within these funds to reduce over time, with assets being redirected into other specialist funds focussing on specific asset classes such as infrastructure and private debt.

Source: Investment Managers

As part of the Fund's evolving Responsible Investment agenda and in recognition of climate risk, the Fund is committed to disclosing and monitoring climate metrics within its investment strategy where possible.

As a starting point, the Fund is reporting in line with information produced by its Pool, the London CIV. In time, the Fund will seek to evolve its climate risk monitoring process by monitoring against further metrics.

The information covered here captures the c80% of the Fund's assets as at 30 June 2023. It excludes investments in property, private equity, infrastructure and private debt on account of the current lack of data in these areas. Please note that fossil fuel metrics for the LGIM funds are as at 31 March 2023.

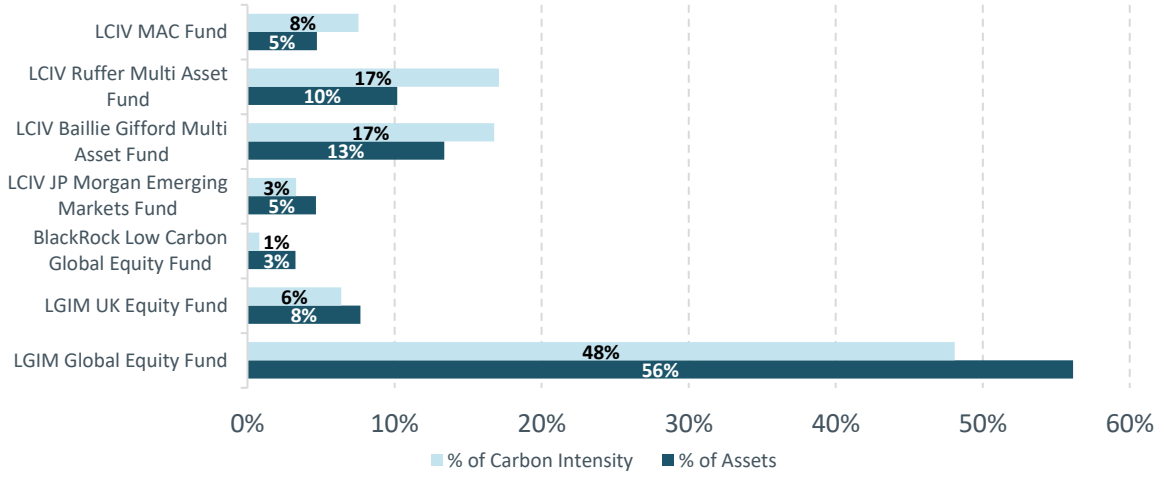
Despite only representing c.10% of assets shown here, the LCIV Ruffer multi-asset fund is responsible for c.17% of the total carbon intensity. However, this is an improvement from previous quarters.

Climate risk overview

	Weighted Average Carbon Intensity (tCO2/$m Sales)	Fossil Fuel exposure (any activity) (%)
Fund	**190.5**	**5.2%**
*Composite benchmark**	**250.2**	**8.2%**
Relative to benchmark	**-59.7**	**-3.0%**

*Composite benchmark reflects individual mandate benchmarks weighted by proportion invested

Carbon Intensity by Manager



Source: Investment Managers, London CIV, Benchmark for equity and multi-asset funds is MSCI ACWI
Please note: WACI figure used for the BlackRock ACS World Low Carbon Fund are as at 31 August 2023.

Market Background

Consensus forecasts for 2023 global GDP growth saw further upwards revisions in Q2, given unexpected resilience in labour markets and consumer spending. Nonetheless, with higher interest rates likely to weigh on consumer and business activity in the second half of 2023 and into 2024, growth forecasts remain relatively weak.

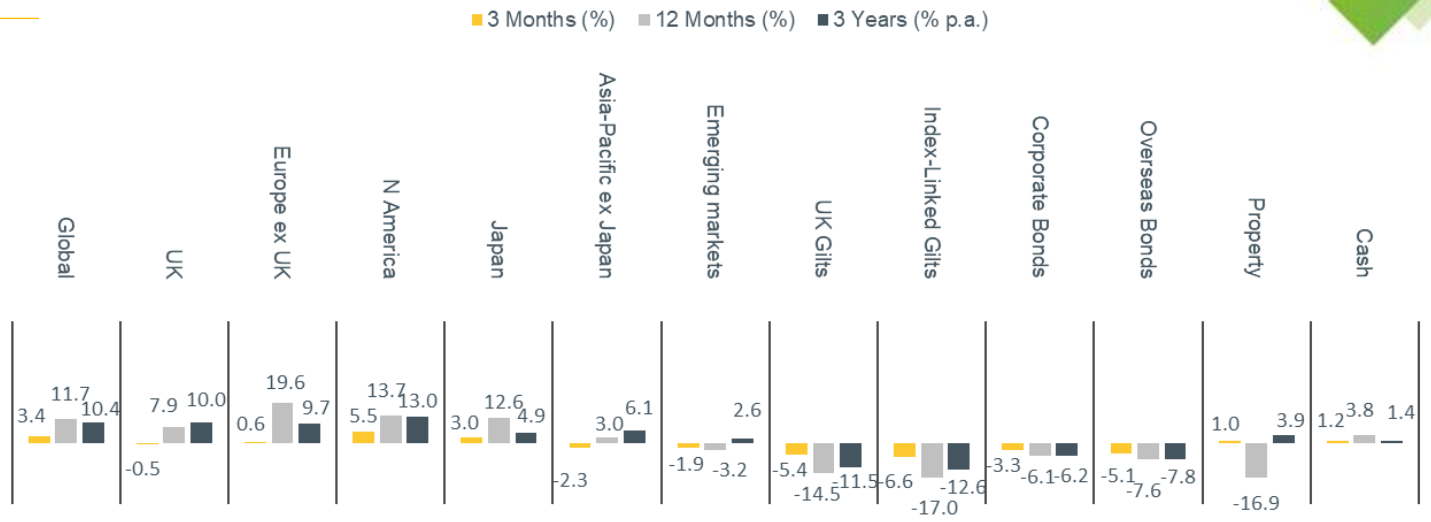
UK inflation data released during Q2 came in higher than forecasters expected. However, June's UK headline CPI inflation figure, released in July, fell more than expected, to 7.9% year-on-year and core inflation slipped back to 6.9% from 7.1%. Equivalent CPI inflation in the US and Eurozone fell to 3.0% and 5.5%, respectively, in June, and core inflation eased to 4.8% in the US, but rose to 5.5% in the Eurozone.

Responding to a run of higher-than-expected inflation, the Bank of England (BoE) raised rates by 0.75% p.a. in Q2, to 5.0% p.a., including a surprise 0.5% p.a. increase in June. The US Federal Reserve raised rates by 0.25% p.a., to 5.25% p.a., in May; pausing in June to evaluate the impact of prior tightening. The European Central Bank increased their deposit rate 3.5% p.a.

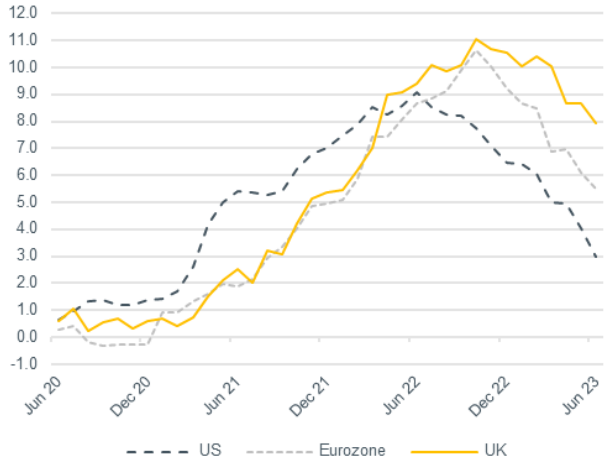
UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, was unchanged at 3.6% p.a., as real and nominal yields rose by similar amounts.

UK gilt yields surged as disappointing inflation data was compounded by heavy issuance and BoE gilt sales. UK 10-year gilt yields rose sharply by 0.8% p.a. to 4.4% p.a., while US yields rose 0.2% p.a. to 3.8% p.a., and equivalent German yields rose 0.1% p.a., to 2.4% p.a.

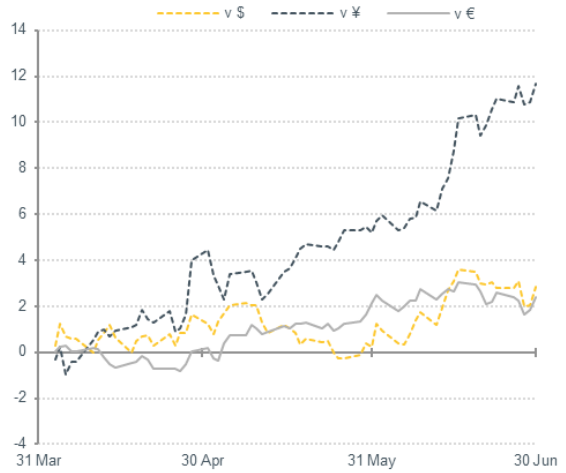
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

Market Background

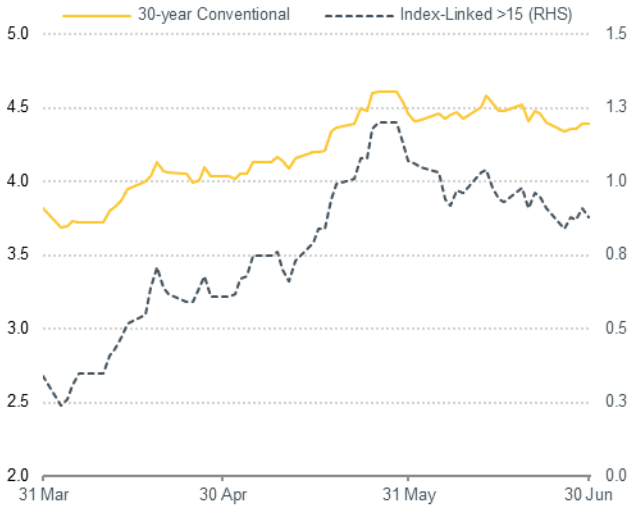
The UK investment-grade credit market recorded negative total returns as the rise in underlying gilt yields more than offset a fall in credit spreads. Global investment-grade credit spreads decreased by 0.1% p.a. to 1.4% p.a., and global speculative-grade credit spreads decreased by 0.5% p.a. to 4.5% p.a.

The FTSE All World Total Return Index rose 6.7%, buoyed by better-than-expected earnings and AI-inspired optimism around the technology sector. Japanese and North American equities outperformed, with the exporter-heavy index of the former benefitting from Yen weakness and the latter benefitting from its disproportionately high exposure to the technology sector. Disappointing Chinese activity data dragged down emerging markets and Asia Pacific ex-Japan. The UK was the worst performing region, as the basic materials and energy sectors underperformed amid commodity price declines and global manufacturing weakness.

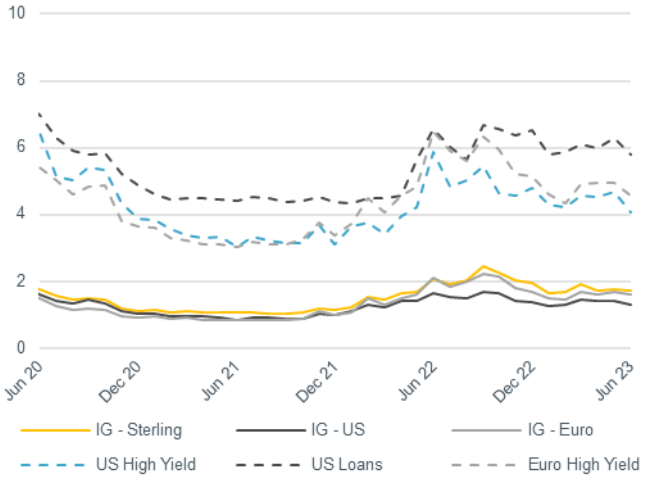
Sterling rose over 4.0% in trade-weighted terms as interest rate expectations soared. Meanwhile, equivalent US and euro measures rose 0.8% and 2.1%, respectively, while the yen measure fell more than 5%. The S&P GSCI Commodity Spot Price Index fell 5.8% in Q2, driven by declines in energy and industrial metal price.

UK commercial property values, as measured by the MSCI UK Property Index, had fallen by over 21% in the 12 months to end-June. Capital values have somewhat stabilised in recent months, though office values continued to decline in June. Alongside income, this led to a modest positive total return from the market over the quarter.

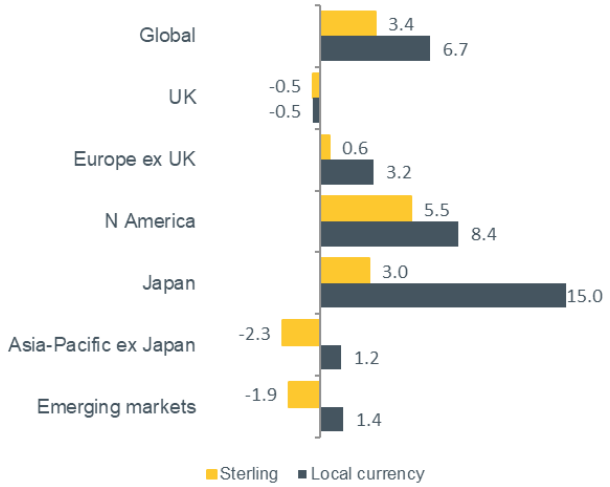
Gilt yields chart (% p.a.)



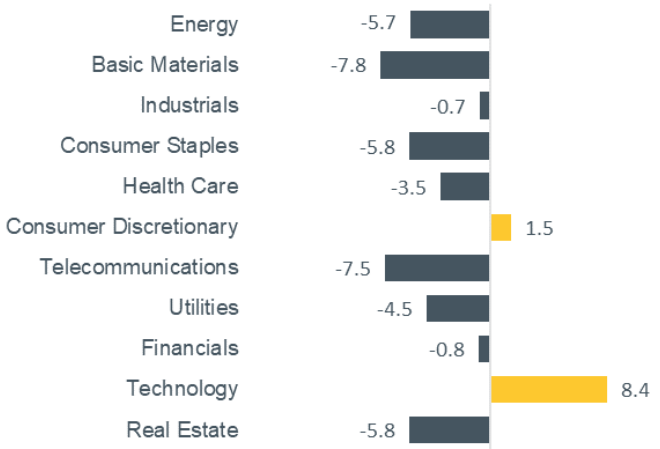
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

Hymans Rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

Market Brief

August's highlights

- The UK economy fared better than expected in Q2, expanding modestly and confounding expectations of stagnation. In the US, a downwardly revised second estimate of second-quarter GDP growth still showed an economy growing at a decent annualised quarterly pace of 2.1%.
- Disappointing Chinese economic data, renewed stress in the property sector, and consumer prices entering deflation prompted the People's Bank of China to cut rates in August, while the government launched initiatives to support markets.
- Flash composite PMIs (which reflect the health of the manufacturing sector) fell more than expected in the major advanced economies. In Europe, they fell to levels consistent with contraction, as the services-led recovery faded, and manufacturing activity continued to contract.
- Headline inflation continued to fall in the UK and eurozone in July, in line with expectations, but core inflation was unchanged. Though US headline inflation rose in July, it did so less than expected and core inflation fell.
- Despite recent declines, still-above-target headline and core inflation, alongside very strong wage growth, saw the Bank of England (BoE) raise rates by 0.25% pa in August to 5.25% pa.
- Amid weaker forward-looking economic data and higher sovereign bond yields, global equities fell in August, handing back some of their quarter-to-date gains. Meanwhile, credit spreads widened.
- Sovereign bond yields rose as stubborn underlying inflation pressures raised long-term interest-rate expectations.
- The recent oil-price rally lost steam in August. Growth risks in China offset the impact of production cuts and European gas prices rose sharply on potential strike action at three major Australian liquid natural gas plants.

Market performance to 31 August 2023

UK	Q3 23*	Q2 23	2023
EQUITIES	0.1	-0.5	2.7
BONDS			
Conventional gilts	0.3	-5.4	-3.2
Index-linked gilts	-1.6	-6.6	-4.2
Credit	2.1	-3.4	1.0
PROPERTY**	-0.0	1.0	1.2
STERLING			
v US dollar	-0.3	2.8	5.3
v Euro	0.2	2.4	3.6
v Japanese yen	0.4	11.7	16.2

GLOBAL	Q3 23*	Q2 23	2023
EQUITIES	1.2	6.7	15.5
North America	1.7	8.4	28.5
Europe ex UK	-0.9	2.9	12.5
Japan	1.7	15.0	25.3
Dev. Asia ex Japan	0.2	1.2	6.2
Emerging markets	1.2	1.4	5.1
GOVERNMENT BONDS	-0.1	0.2	3.1
High yield	1.4	1.5	6.1
Gold	1.4	-3.1	7.0
Oil	16.6	-6.6	2.3

Percentage returns in local currency ($ for Gold and Oil). *All returns to 31/08/2023, **apart from property (31/07/2023). Source: DataStream and Bloomberg. FTSE Indices shown: All Share, All World, W North America , AW Developed Europe ex-UK, W Japan, AW Developed Asia Pacific ex-Japan, Emerging, Fixed Gilts All Stocks, Index-Linked Gilts All Maturities, iBoxx Non-Gilts, S&P GSCI Light Energy, Crude Oil BFO, ICE BofA Global High Yield, Gold Bullion LBM , MSCI UK Monthly Property and BBG Aggregate Government Total Return.

The quarter so far

The global economy

- Unexpected economic resilience in the first half of 2023 is increasingly being weighed against weaker forward-looking data in Q3, as the lagged impact of monetary tightening weighs on economic activity. At the same time, recent resilience, particularly in labour markets, has added to speculation around how long central banks will have to keep interest rates at restrictive levels in order to reduce underlying inflation pressures.
- Global equity markets have made a modest positive return in the quarter to date, while credit spreads have generally declined, albeit with some regional dispersion. Sovereign bond yields have risen, notably in the US, eurozone and Japan, and less so in the UK, given a higher starting point.
- Backward-looking GDP growth data released in Q3 confirmed that the global economy was resilient in Q2. Despite downwards revisions to the very robust initial estimate of US Q2 GDP growth, the second estimate still showed an economy growing at a decent annualised quarterly pace of 2.1%. The eurozone and UK both registered a modest quarter-on-quarter expansions of 0.3% and 0.2%, respectively, which surpassed expectations. Japanese growth expanded at annualised quarterly pace of 6% in Q2. The strong showing is mostly due to strong net export growth, which has been boosted by prior yen weakness.
- Chinese growth slowed quarter on quarter in Q2, and recent activity has been weaker than expected. Headline CPI turned negative in July, retail sales disappointed, and private investment fell, particularly in the property sector. This led the People's Bank of China to cut rates twice in August and fuelled expectations of further policy stimulus.
- In the eurozone, flash composite PMIs indicate that business activity contracted more rapidly in August, as the region's downturn spread from manufacturing to services. Surveys also suggest UK activity contracted month on month in August, as an increasingly severe manufacturing downturn is accompanied by a now-contracting service sector. The US composite PMI remains just above 50, indicative of a month-on-month expansion in economic activity, but the survey suggests a near stalling of business activity as the service-sector-led accelerated growth in Q2 has faded.
- Headline inflation data released in August for the month of July showed that consumer price inflation slightly fell in the UK and eurozone, in line with expectations, and rose in the US, though less than expected. July's year-on-year headline CPI came in at 3.2%, 6.8%, and 5.3% in the US, UK, and eurozone, respectively. Year-on-year core CPI inflation, which excludes more volatile energy and food prices, was unchanged in the UK and eurozone in July, exceeding expectations in the UK, and continued to fall in the US. The year-on-year core CPI figures for the US, UK and the eurozone are 4.7%, 6.9%, and 5.3% respectively.
- Given above-target headline inflation and 'stickiness' in core measures, the Fed and the European Central Bank both raised rates by 0.25% pa at their July meetings, to 5.5% pa and 3.75% pa, respectively. The BoE followed suit in August, raising the base rate by 0.25 % pa, to 5.25% pa. Markets fully expect another rate rise from the BoE at its September meeting, taking rates to 5.5% pa, and are split almost evenly as to whether rates will peak at 5.75% pa or rise to 6.0% pa over the next six months. US interest rate futures imply the Fed will leave interest rates unchanged at September's meeting, but also continue to price in nearly even odds of one further rate hike by year end. Markets also expect a pause from the ECB in September, but still expect a rate rise, the last in the cycle, later this year.

Fixed income markets

- Amid strong GDP data and heavy issuance, US 10-year treasury yields rose 0.3% pa, to 4.1% pa. Japanese government bond yields rose 0.5% pa, to 0.6% pa, as the Bank of Japan loosened its yield-curve control band of +/-0.5% pa, offering to buy 10-year Japanese government bonds at a yield of up to 1.0% pa. Equivalent UK and German yields saw more muted rises, ending August at 4.4% pa and 2.5% pa, respectively.
- UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, was unchanged at 3.6% pa, as nominal and real yields rose by similar amounts.

- A 0.2% pa fall in sterling investment-grade credit spreads more than offset a very modest rise in gilt yields, resulting in positive total returns in the quarter to date. Global investment grade spreads have fallen 0.1% pa, to 1.3% pa. Highlighting the divergence in recent economic data, US speculative-grade spreads fell 0.2% pa, to 3.9% pa, while European speculative-grade spreads rose over the same period, to 4.5% pa. Though defaults, both realised and forecast, have risen, a subdued pace of new issuance has lent technical support to credit markets.
- Hard currency debt, as measure by the Diversified Emerging Markets External Debt Sovereign Bond Index, has returned 0.2% quarter to date in dollar terms, as income and a modest fall in spreads offset a rise in underlying treasury yields. Local currency debt, as measured by the Diversified Emerging Markets Sovereign Bond Index, has returned -0.2% quarter to date, in dollar terms as yields rose modestly and index currencies, in aggregate, fell against the US dollar.

Global equities

- The FTSE All World Total Return Index trimmed its quarter-to-date gain to 1.2% In August, as concerns around Chinese growth and weak survey data in the major advanced economies weighed on the soft-landing narrative.
- Japanese equities outperformed quarter to date given relatively strong economic data and yen weakness, which also supported the earnings of the export-heavy market. US equities also outperformed on the back of still decent economic growth and ongoing upside earnings surprises. Europe ex-UK and UK markedly underperformed on the back of sharply weaker business surveys and rising European gas prices.
- Emerging markets performed broadly in line with the global benchmark quarter to date. Chinese and Asian markets rose strongly in July as weak Chinese activity data spurred hopes of further economic stimulus, but sentiment reversed in August, despite monetary easing and several government initiatives to support financial markets.
- Energy was the best-performing sector over the quarter to end-August, boosted by rising oil and, to some extent, gas prices. The financial and technology sectors also marginally outperformed. Utilities were the worst-performing sector in over the same period, followed by consumer staples. Industrials, consumer discretionary, telecoms, healthcare, and basic materials also all marginally underperformed in the two months to end-August.

Currencies, commodities, and property

- Despite Chinese growth risks, oil prices rose 16.6% over the quarter to end-August on the back of production cuts. Despite elevated seasonal storage levels, European gas prices rose 23% in August on the back of potential strikes at three liquid natural gas (LNG) plants in Australia responsible for 10% of global LNG supply. Trade-weighted sterling and euro rose modestly, while the equivalent US dollar measure rose 0.7% and the Japanese index fell 1.1%.
- The MSCI UK Monthly Property Capital value index slipped 0.5% in July, largely due to a 2.1% decline in office values. In aggregate, capital values are down 20.8% in the 12 months to end-July, with declines in the retail, office, and industrial sectors of 15.4%, 22.6%, and 25.0%, respectively. Total returns (ie including income) were -16.5% in the 12 months to end-July. Though declines in capital values over 12 months were most pronounced in the industrials, the sector has now recorded five consecutive months of growth, while capital values in the office sector continued to decline, and retail values are largely flat over the past few months.

For and on behalf of Hymans Robertson LLP

Additional Notes

Risk Warnings

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature

markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

This paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the paper is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

	Pension Fund Sub-Committee 04 October 2023
	Report from the Corporate Director Finance and Resources

Brent Pension Fund: Annual Report and Accounts 2022/23

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Three: Appendix 1 - Draft Brent Pension Fund Annual Report 2022/23 Appendix 2 - Draft Audit Findings Report 22-23 - Brent Pension Fund Appendix 3 - Brent Investment Strategy Statement 2023
Background Papers:	▪ N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Pensions sawan.shah@brent.gov.uk 020 8937 1955 George Patsalides, Finance Analyst george.patsalides@brent.gov.uk 020 8937 1137

1.0 Executive Summary

1.1 This report provides an update on the Pension Fund Annual Report and Accounts for the year ended 31 March 2023 and the draft Investment Strategy Statement (ISS).

2.0 Recommendation(s)

2.1 The Committee is recommended to:

- Note the draft accounts included as part of the annual report;
- Note the draft Brent Pension Fund Annual Report 2022/23 which will be published as set out in paragraph 4.4.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Statement of Accounts

3.2.1 Included in the Brent Pension Fund Annual Report 2022/23 attached in Appendix 1 are the latest version of the Pension Fund Annual Accounts for the year ended 31 March 2023.

3.2.2 At the time of writing, audit fieldwork is substantially complete. The auditors are now working on completing their closing procedures and final reviews with a view to sign off the audit shortly after the Audit and Standards Advisory Committee meeting on 26th September.

3.2.3 The draft Brent Pension Fund Audit Findings Report 2022/23, attached in Appendix 2, sets out the anticipated results of the audit. Grant Thornton intends to give an unqualified opinion on the Pension Fund accounts.

3.2.4 The Pension Fund has been subjected to a hot file review in 2022/23, which features a detailed review of the accounts and audit working papers by a specialist team before the audit has been fully signed off. The purpose of such a review is to identify any key issues which need to be addressed before final completion. The review was positive for the Fund. It did not result in any substantial changes, only minor presentational changes to the accounts were made.

3.2.5 The responsibility for approving the statement of accounts resides with the Audit and Standards Committee, which noted the Audit Findings Report in the 26th September meeting.

3.2.6 The accounts have been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the

Code) governing the preparation of the 2022/23 financial statements for Local Government Pension Scheme funds. The accounts aim to give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2023.

4.0 Background

4.1 The main items to note are as follows:

- During 2022/23, the value of the Pension Fund's investments decreased to £1,116m (2021/22 £1,128m). This is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

- Total contributions received from employers and employees were £68m for the year, an increase on the previous year's £64m.

- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £48m, an increase on the previous year's £47m.

- As in 2022/23, the Council is in a positive cash-flow position because its contributions exceed its outgoings to members.

4.2 Attached in Appendix 3 is an updated draft Investment Strategy Statement (ISS). This in line with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 which requires administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund.

4.3 The committee is invited to comment on the ISS which will be published as part of the Fund's annual report later in the year.

Pension Fund Annual Report

4.4 The draft Pension Fund annual report has been sent to Grant Thornton for review. Regulations require the annual report to be published on or before 1st December. The Fund will publish the report on completion of the audit process and before the required deadline.

4.5 The Pension Fund annual report also includes the:

- Pensions Administration Strategy;
- Funding Strategy Statement; and
- Communications Policy Statement

which have been approved by the Committee at previous meetings.

5.0 Stakeholder and ward member consultation and engagement

5.1 Not applicable.

6.0 Financial Considerations

6.1 Not applicable.

7.0 Legal Considerations

7.1 Not applicable.

8.0 Equality, Diversity & Inclusion (EDI) Considerations

8.1 Not applicable.

9.0 Climate Change and Environmental Considerations

9.1 Not applicable.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 Not applicable.

11.0 Communication Considerations

11.1 Not applicable.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

Brent Pension Fund

Annual Report and Accounts 2022/23

Pensions Regulator Scheme Number: 10272080

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1. Chairman's Foreword

It is my pleasure to present the Annual Report and Accounts of the Brent Pension Fund for 2022/23.

The Fund has 6,061 contributors, 7,160 pensioners and 8,544 deferred pensioners.

The scheme is administered locally and is a valuable part of the pay and reward package for employees working in Brent Council or working for other employers in the Borough participating in the scheme.

During 2022/23, the value of the Pension Fund's investments decreased to £1,116m (2021/22 £1,128m). This is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

Total contributions received from employers and employees was £68m for the year, an increase on the previous year's £64m. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £48m, an increase on the previous year's £47m. As in 2021/22, the Pension Fund is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

The Brent Pension Fund is revalued every three years by an independent actuary. The Pension Fund had its most recent triennial review in 2022. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. During 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35% of pensionable pay. This is consistent with the Fund's deficit recovery plan to clear its deficit within 20 years of the balance sheet date. This Triennial Valuation revealed that the Fund's assets, at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This is an increase on the 78% funding level as at the March 2019 valuation.

In conclusion, I would like to extend my thanks and appreciation to all members of the Pension Fund Sub-Committee and officers for their continued input to the strong governance and management arrangements of the Fund.

Cllr Robert Johnson
Chairman, Brent Pension Fund Sub-Committee

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2. Management and Financial Performance

a. Scheme management and advisors

Administering Authority:	Brent Council Civic Centre Engineers Way Wembley Middlesex HA9 0FJ
Brent Pension Fund Officers:	Minesh Patel, Corporate Director, of Finance and Resources Ravinder Jassar, Deputy Director of Finance Sawan Shah, Head of Pensions George Patsalides, Finance Analyst Carlito Rendora, Interim Finance Analyst Kastur Varsani, Assistant Accountant
Legal Advisers:	In-house
Custodian:	Northern Trust
Actuary:	Hymans Robertson LLP
Financial Adviser:	Hymans Robertson LLP
Fund Managers:	Legal & General Capital Dynamics London CIV LCIV Diversified Growth – Baillie Gifford LCIV MAC – CQS LCIV Emerging Markets – JP Morgan LCIV Infrastructure Fund – Stepstone LCIV Absolute Return –Ruffer LCIV Private Debt Fund – Churchill/Pemberton Alinda BlackRock Fidelity UK Real Estate UBS
Banker:	NatWest
Auditor:	Grant Thornton
Performance Measurement:	Northern Trust
AVC Providers:	Prudential Clerical Medical Equitable Life (legacy only)

The Local Government Pension Scheme

The Government Pension Scheme (LGPS) is a statutory pension scheme. This means that it is very secure as its benefits are defined and set out in law. Under regulation 57 of The Local Government Pension Scheme (Administration) Regulations 2013, all LGPS funds are required to publish an Annual Report. This document is the Annual Report and Accounts of the Brent Pension Fund for 2022/23.

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The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK, with 6.4 million members.
- It is a nationwide pension scheme for people working in local government or for other types of employer participating in the scheme.
- The LGPS is administered locally by 86 regional pension funds – one of which is the Brent Pension Fund.
- It is a funded scheme, which means that Fund income and assets are invested to meet future pension fund commitments.
- Benefits are defined and related to members' salaries, so they are not dependant on investment performance. Ultimately the local authority and local taxpayers are the final guarantors.
- The scheme is regulated by Parliament.

Governance

Governance Statement

The Brent Pension Fund publishes a Governance Statement each year. The latest version of this document is at page 24. The Governance Statement reflects the Fund's commitment to transparency and engagement with employers and scheme members. We monitor, review and consult where appropriate to ensure that our governance arrangements continue to be effective and relevant.

Administering Authority

Brent Council is the Administering Authority of the Brent Pension Fund and administers the LGPS on behalf of its participating employers.

- Brent Council has delegated its pensions functions to the Pension Fund Sub-Committee
- Brent Council has delegated responsibility for the administration and financial accounting of the Fund to the Corporate Director of Finance and Resources.
- This report supports Brent Council's Annual Governance Statement, which is published at page 24.

Governance Compliance

The Brent Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) Regulation 55. The full compliance statement is at page 24.

Pension Fund Sub-Committee

The Pension Fund Sub-Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pension Fund Sub-Committee meets quarterly to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure effective performance and service delivery

- Appoint and monitor advisers

- Ensure that arrangements are in place for consultation with stakeholders as necessary.

Pension Fund Sub-Committee Membership as at 31 March 2023

Chair:	Cllr R Johnson
Other Members:	Cllr M Mitchell (Vice Chair) Cllr S Choudry Cllr S Kansagra Cllr R Hack Cllr T Miller
Employee representatives:	Elizabeth Bankole (UNISON)
Other attendees:	Minesh Patel, Corporate Director, Finance and Resources Ravinder Jassar, Deputy Director of Finance Hymans Robertson LLP, Financial Adviser

Pension Fund Sub-Committee Training

Training is business driven, therefore the programme is flexible. This allows us to effectively align training with operational needs and current agenda items, helping to support Member decision making.
Member training is supplemented by attendance at investment conferences and other associated events.

Conflict of Interests

There is a standing agenda item at each Pension Fund Sub-Committee meeting for Members to declare any personal or prejudicial interests.

Accountability and Transparency

Pension Fund Sub-Committee agendas, reports and minutes are published on the Brent Council website at www.brent.gov.uk.

b. Risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The Fund looks to achieve this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Pension Fund manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee.

Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

The Brent Pension Fund maintains a Risk Register which is reviewed and reported to every Pension Board meeting. Risks are rated on a "traffic light system" and are monitored on a regular basis for review. Controls are documented and further actions identified where necessary. The Brent Pension Fund Risk Register can be found on the Brent Pensions Board website.

This Risk Management Programme in place ensures that key risks are identified and that mitigating actions are taken to control these Risks. Appendix C as part of the Funding Strategy Statement notes each objective area in which these risks are summarised and the mitigating actions being taken to control them.

Third Party Risks

Third party risks such as payments of contributions are robustly monitored, as laid out in the Pensions Administration Strategy. The receipt and calculation of employer pension contributions is monitored monthly. Employers are required to complete a return, which reconciles to the pension payment and verifies the calculation of both employee and employer contributions.

The Council has also outsourced the following functions of the Fund:

- Custodianship of assets.
- Pensions administration in coordination with the Brent pensions administration team who monitors and manages the Fund's contractor for pension administration services, Local Pensions Partnership Administration (LPPA).

As these functions are outsourced, the Council is exposed to Third Party Risk. A range of investment managers are used to diversify risk. To mitigate the risks regarding custodianship of assets, assurance over third party operations is sought by requesting relevant documentation, such as AAF 01/06 and ISAE3402 assurance reports on the internal controls of these service organisations. Any weaknesses in controls are reviewed and reported as necessary to the Pension Fund Sub-Committee.

Fund Manager	Type of Assurance	Control Framework	Compliance with Control	Reporting Accountant
Alinda	ISAE 3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
BlackRock	ISAE 3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
Capital Dynamics	ISAE 3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
Fidelity	ISAE 3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
London CIV	Third-Party Controls Oversight	N/A	N/A	N/A
LGIM	ISAE 3402	Reasonable Assurance	Reasonable Assurance	KPMG LLP
UBS	ISAE 3402	Reasonable Assurance	Reasonable Assurance	EY

An on-going framework of inspection and review by the Fund's internal auditors and external auditors (Grant Thornton) supports and assists with the management of risks.

During 2022/23, no internal audits were carried out for the Pension Fund. In 2019/20, internal audit undertook a review of the Council's arrangements in regards to current investments, strategic asset allocation and compliance with DLUHC regulations (formerly MHCLG).

This review aimed to provide assurance over the following sub-processes and control objectives. The audit focused on key controls in place in relation to the sub-processes listed below, to mitigate the potential risks:

- Governance;
- Governance compliance statement;
- Risk management;
- Investments;
- Monitoring;
- Environmental, social and governance factors;
- Independent Advisor, and
- Pension Fund
- Policies.

All the scope areas were examined during the audit and no high level risk areas were reported. In addition, internal audit has identified a number of examples of good practice. 2 medium risk and 2 low risk recommendations were reported. Any risks identified were agreed between internal audit and management and

actions are being undertaken to ensure that the recommendations are implemented and are operating effectively.

Other Investment Risk

Brent Pension Fund constantly monitors risk at all levels. In investment, risk is defined as the permanent loss of capital. Risks are assessed at market level, and also at the fund manager level. Fund managers may employ a range of measures to mitigate risk, wherever possible. This may range from a process which avoids overpaying for an asset, or fund manager's risk committees and investment committees, which meet regularly to review and challenge the fund manager's approach and assumptions. Fund managers must contend with the potential mispricing of risk, caused by the hunger for yield.

The Pension Fund employs an Investment Advisor, Hymans Robertson, to assist and advise the Pensions Sub Committee. Investment performance is reviewed by the committee every quarter.

Brent Pension Fund monitors the fund managers at least every quarter, when they report their performance. At this stage, it is not just the net returns which are studied, but also the attribution, i.e. the way in which the returns were achieved. The returns should be measured against the expected returns given prevailing market conditions and the investment process, in order to ensure that the fund manager is not tending towards "investment drift" or "style drift". Particular attention is paid to the actions taken by funds when market conditions change.

Pension Fund Officers ensure that all tasks carried out are compliant with best practise as detailed in the Investment Strategy Statement (see Appendix D). This is in order to mitigate any governance risk (such as acting *ultra vires*).

Pension Fund Officers document meetings with fund managers, and report back to the Pension Fund Sub-Committee on a quarterly basis.

The key risks and controls in place to mitigate investment risks are included in the Funding Strategy Statement.

c. Financial performance

Financial Summary

Income and expenditure of the fund over the past five years is shown below. This shows that a net increase in the Fund's market value of £319m over the period.

This is mostly attributable to the change on market value of £266m over the period. During 2022/23, the Fund value decreased by £13.5m, which is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

Financial Summary	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Contributions receivable	(54.9)	(65.2)	(66.8)	(70.9)	(73.8)
Benefits payable	47.7	54.2	47.6	52.7	55.6
Net (additions)/withdrawals from dealings with members	**(7.2)**	**(11.1)**	**(19.2)**	**(18.2)**	**(18.2)**
Management expenses	6.8	3.8	4.2	4.3	4.1
Net of investment income and taxes on income	(1.4)	(1.2)	(0.7)	(1.1)	1.8
Change in market value	(61.7)	34.1	(176.1)	(88.1)	25.8
Net (increase)/decrease in Fund Value	**(63.5)**	**25.6**	**(191.8)**	**(103.1)**	**13.5**

Analysis of Dealings with Scheme Members

As shown in the table below, net contributions from members has been positive over the past five years. Employer contributions have stayed broadly similar to previous financial year, this is due to no change in the main employer contribution rate. Transfers in have decreased due to fewer new members choosing to transfer

in benefits. Transfers out have increased compared to last year, reflecting more members electing to remove their benefits from the scheme.

Analysis of Dealings with Scheme Members	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Contributions receivable					
Members	(9.2)	(8.5)	(9.5)	(9.7)	(10.6)
Employers	(42.9)	(51.5)	(51.4)	(54.4)	(56.9)
Transfers In	(2.8)	(5.2)	(5.9)	(6.8)	(6.3)
Total	**(54.9)**	**(65.2)**	**(66.8)**	**(70.9)**	**(73.8)**
Benefits payable					
Pensions	37.7	38.6	37.5	39.7	41.4
Lump sum retirement and death benefits	8.2	9.3	4.8	7.2	6.4
Transfers Out	1.7	6.2	5.3	5.7	7.6
Refunds to members leaving service	0.1	0.0	0.0	0.2	0.2
Total	**47.7**	**54.1**	**47.6**	**52.7**	**55.6**
Net Dealings with Members	**(7.2)**	**(11.1)**	**(19.2)**	**(18.2)**	**(18.2)**

Analysis of Management Expenses

The costs of managing the Pension Fund are split into three areas: Administration expenses, Oversight and Governance costs and Investment management expenses.

Analysis of Management Expenses	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Administration costs	1.2	1.1	1.8	1.6	1.4
Oversight and Governance costs	0.2	0.3	0.2	0.2	0.2
Other expenses	2.2	0.0	0.0	0.0	0.0
Investment management expenses					
Management fees	2.7	2.4	2.2	2.4	2.4
Custody fees	0.1	0.0	0.0	0.1	0.1
One-off transaction costs	0.4	0.0	0.0	0.0	0.0
Total	**6.8**	**3.8**	**4.2**	**4.3**	**4.1**

Contributions

Members of the LGPS pay a contribution rate dependant on the salary band they fall in to. The contribution rate employees pay depends on their salary. The bands and contribution rates for 2022/23 are set out in the table below.

Annual Pensionable Pay	Rate
Up to £16,500	5.5%
£16,501 to £25,900	5.8%
£25,901 to £42,100	6.5%
£42,101 to £53,300	6.8%
£53,301 to £74,700	8.5%
£74,701 to £105,900	9.9%
£105,901 to £124,800	10.5%
£124,801,001 to £187,200	11.4%
£187,201 or more	12.5%

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. The most commonly applied employer contribution rate within the Brent Pension Fund was 35% in 2022/23.

Regulations state that contributions must be paid to the Fund by the 22nd day of the month following deduction. The Fund reserves to right to levy interest on an employer for the late payment of contributions. In 2022/23, this power was not exercised.

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3. Investment Policy and Performance

The Administering Authority invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into effect on the 1st November 2016.

During 2022/23, the following external investment managers managed the Fund's assets:

- Legal & General (UK and overseas equities)
- Capital Dynamics (Private equity and Infrastructure)
- LCIV Churchill/Pemberton (Private Debt)
- LCIV Baillie Gifford (Diversified Growth Fund)
- LCIV Ruffer (Diversified Growth Fund)
- LCIV CQS (Multi Asset Credit)
- LCIV JP Morgan (Emerging Markets)
- LCIV Stepstone (Infrastructure)
- Alinda (Infrastructure)
- Blackrock (UK Gilts and Global Low Carbon Equities)
- Fidelity (Property)
- UBS (Property)

The cash balance is deposited with money market funds.

2022/23 Investment Results

Asset Allocation and Fund Performance

The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2023 is shown below:

Time Period	Total Fund Return %	Fund Benchmark Return %
1 year	-2.6	-2.3
3 years	8.7	7.2
5 years	5.8	5.0

The current asset allocation includes allocations to passive UK and global equities, emerging market equities, diversified growth funds, infrastructure, longer dated gilts, multi-asset credit, private debt and UK commercial property. The allocation to private equity is currently being wound down. A further allocation to infrastructure was agreed in 2018/19 and investment in this mandate is being built up. The allocation to Private Debt is also being built up. During the year allocations to Low Carbon Equities and Property were topped up. It will be some time before funds are fully invested. The asset allocation as at 31 March 2023 is illustrated by the below chart.

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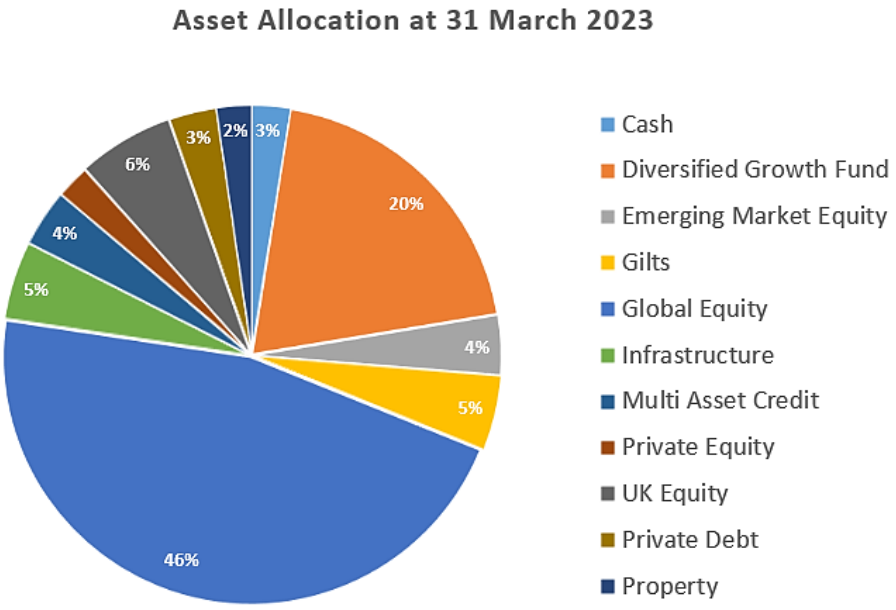

Overall, the fund delivered a negative return of -2.6% for the year. Positive returns were achieved in the final 3 quarters with negative returns in the first quarter. The majority of holdings struggled in the first quarter in a challenging environment, driven by the Fund's holdings in global equities and gilts. Returns in the final 3 quarters were driven by the Fund's growth holdings and the Fund's multi-asset investment with LCIV Absolute Return through Ruffer was a positive performer.

The Fund's holdings by fund manager showing target asset allocation and performance over one, three and five-year periods are shown below.

Investment	Asset Class	Planned Asset Allocation (%)	Market value 31 March 2023 (£m)	Allocation at 31 March 2023 (%)	Last Year (%)		Last 3 Years (%)		Last 5 Years (%)	
					Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Equities - L&G	UK Equity	50	69.8	6.25	3.0	2.9	13.9	13.8	4.7	4.8
Global Equities - L&G	Global Equity		488.2	43.73	-0.9	-0.8	16.9	16.9	11.3	11.3
UK Equities - London CIV	UK Equity		0.0	0.00	n/a	n/a	n/a	n/a	n/a	n/a
LCIV JP Morgan EM	Emerging Market Equity		43.3	3.88	-1.2	-4.9	10.8	7.9	-	-
Global Low Carbon Dev	Global Equity		28.1	2.52	-4.1	-1.0	-	-	-	-
DGF LCIV Baillie Gifford	Diversified Growth Fund	5	123.7	11.08	-8.5	4.4	3.8	2.9	1.5	3.2
DGF LCIV Ruffer	Diversified Growth Fund		98.6	8.83	1.3	4.4	9.4	2.9	6.1	3.2
LCIV Multi Asset Credit	Multi Asset Credit	5	41.9	3.75	-4.2	4.3	5.8	2.9	-	-
Blackrock - Over 15 year GILTS	Gilts	10	54.2	4.85	-29.7	-29.7	-16.3	-16.4	-	-
Private Equity - Capital Dynamics	Private Equity	0	24.4	2.19	-1.0	0.6	7.5	18.1	10.2	9.8
Infrastructure - Capital Dynamics	Infrastructure	15	2.6	0.23	12.2	12.1	-11.0	7.9	-3.1	7.3
Infrastructure - ALINDA	Infrastructure		17.2	1.54	26.7	12.1	10.0	7.9	7.7	7.3
Infrastructure - LCIV Stepstone	Infrastructure		36.8	3.30	15.7	12.1	4.7	7.9	-	-
LCIV Private Debt Fund	Private Debt	5	34.8	3.12	13.0	6.0	-	-	-	-
Fidelity UK Real Estate Fund	Property	10	13.7	1.23	-13.2	-14.1	-	-	-	-
USB Triton Property Fund	Property		11.4	1.02	-	-	-	-	-	-
Cash	Cash	0	27.7	2.48	-0.2	2.4	-0.1	0.9	0.0	0.8
TOTAL		**100.0**	**1116.4**	**100**	**-2.6**	**-2.3**	**8.7**	**7.2**	**5.8**	**5.0**

Further analysis and commentary on the investment performance of individual mandates can be found within the Fund's performance monitoring reports that are presented to the Pensions Sub-committee.

It is important to consider the risk framework in which the investment results are achieved. If the Fund takes more risk in its asset allocation decisions, it offers the potential for higher returns but it also increases the uncertainty of the outcome, potentially increasing the chances of a negative downside. The Fund is committed to on-going review of its asset allocation and achieving an appropriate balance between risk and reward. Further information can be found in the Investment Strategy Statement.

Comparison of investment performance with other LGPS Funds

The Fund's investment performance in comparison to the PIRC Local Authority percentile average for all Local Government Pension Schemes (LGPS) funds nationally is shown below (the PIRC universe consists of 63LGPS funds):

	Rank	**Period ended 31 Mar 23**	**PIRC Local authority Average**
1 year	38	-2.6	-1.6
3 years	63	8.7	9.5
5 years	48	5.8	5.9
10 years	76	6.6	7.3

It is important to note that, as a long-term investor, investment returns over a longer period of time should be considered. The table below shows the rolling three-year performance of the Fund compared to other LGPS funds:

	Rank	**Rolling 3-year return**
2022/23	63	8.7
2021/22	61	8.2
2020/21	72	7.6
2019/20	42	1.5
2018/19	26	8.5
2017/18	80	6.8
2016/17	75	9.9
2015/16	49	6.5
2014/15	80	10.1

Funding Strategy Statement (FSS)

In accordance with the Local Government Pension Regulations, Brent Pension Fund has a Funding Strategy Statement in place which can be found at page 98.

Investment Strategy Statement (ISS)

The Investment Strategy Statement sets out the policy which determines how the Fund invests its assets. This can be found on page 125 of this document. The Scheme rules require that we publish the ISS that covers our policy on:

- The types of investment to be held
- The balance between different types of investments
- Attitude to risk and approach to its management
- the expected return on investments
- The extent to which social, environmental or ethical considerations are taken into account.

Responsible Investment Policy

The Fund's responsible investment policy formalises the Fund's Responsible Investment beliefs and principles and the approach the Fund is taking to fulfilling its commitments. The statement can be found at the following link:
https://democracy.brent.gov.uk/documents/s125921/Appendix%201%20-%20Brent%20RI%20policy%20paper.pdf

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4. Asset Pools

In 2015, the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

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

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

The Brent Pension Fund joined other London local authorities in creating the London Collective Investment Vehicle (LCIV), the regional pool operator for the capital. The London CIV is now established and has £14.3bn of LGPS assets under management as at 31 March 2023 and a further £12.5bn pooled under passive arrangements. London CIV's annual review for the year ended 31st March 2023 can be found at: https://londonciv.org.uk/reports-and-regulatory-information

Pooled assets

Overall, the Fund continued to increase the investments it has made through the London CIV. During 2022/23, the Fund's investments in the London CIV infrastructure fund and London CIV Private Debt fund continued to be built up. In line with standard industry practice for infrastructure and private debt investments, it will be some time before funds are fully invested. The Fund also made further investment in a low carbon passive equity holding through Blackrock.

As at 31/03/2023, the Fund had 6 investments with the London CIV: Emerging Market equities (through JP Morgan), Diversified Growth Funds (Baillie Gifford/Ruffer), Multi Asset Credit (CQS), Infrastructure (Stepstone) and Private Debt (Churchill/Pemberton). Additionally, the Fund's passive equity investments through Legal and General/Blackrock and Gilts through Blackrock are arranged through the London CIV's negotiated mandate where the Fund benefits from lower negotiated fees.

All asset classes except Property, Private Equity, Infrastructure (Legacy) and Cash are managed by the London CIV asset pool. The table below shows the pooling status of the Fund's investments grouped by asset class:

Asset Class	Pooled £m	Non-pooled £m	Total £m
Global Equities	559.6		559.6
UK Equities	69.8		69.8
Diversified Growth Fund	222.3		222.3
Fixed Income	96.1		96.1
Private Equity		24.4	24.4
Infrastructure	36.8	19.8	56.6
Private Debt	34.8		34.8
Property		25.1	25.1
Cash		27.7	27.7
Total	**1019.4**	**97.0**	**1116.4**
Investment Management Costs	**1.8**	**0.7**	**2.5**

Investment management costs totalled £2.5m in 2022/23 as disclosed in the Pension Fund Accounts. A breakdown of pooled and non-pooled investment management costs for the year is provided in the table above.

Pool set-up and ongoing costs

The table below shows pool setup and on-going costs paid to London CIV during 2022/23 and since inception:

Type of Cost	**2022/23 £'000**	**Cumulative £'000**
Set up costs		
Shareholding at cost	0	150
Development Funding Charge	85	460
Annual Service Charge	25	200
Ongoing investment management costs		
Investment management costs*	52	179
Total	**162**	**989**

*Only includes management fees for passive investments arranged through London CIV.

Contact Details

The London CIV can be contacted as follows:

Post: London CIV, Fourth Floor, 22 Lavington Street, London, SE1 0NZ

Telephone: 0208 036 9000

Website: londonciv.org.uk

Email: info@londonciv.org.uk

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5. Scheme Administration

The Brent Pensions Team

The Brent Pensions Team monitors and manages the Fund's contractor for pension administration services, Local Pensions Partnership (LPP). The team is a contact point for employees who wish to join the scheme; for advice on procedures and for queries and complaints.

The Pensions Team is accountable to the Pension Fund Sub-Committee, participating employers and scheme members. The team are fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to delivering excellent customer care.

The team's responsibilities include the following:

- Ensuring the accuracy of pensions records, including the preparation and distribution of the Annual Benefit Statements to all scheme members
- The timely collection of contributions
- Advice and guidance to scheme members
- Advice and guidance to employers
- Early retirement schemes for Fund employers.

Operational costs

The Fund's operational costs are monitored throughout the year by the Fund's management team and reported in the Pension Fund Annual Accounts.

To enable assurances to be obtained as to the effective and efficient operation of the Fund's investments, performance is benchmarked on an annual basis against other local authority pension funds subscribing to the PIRC Local Authority Pension Performance Analytics' Universe of local authority pension funds. Internal controls are also in place to support the reliability and integrity of financial information and the Fund is subject to internal and external audit.

Value for Money Statement

The Brent Pension Fund aims to deliver value for money services to all members and employers within the Fund. In order to demonstrate the efficiency and effectiveness of these services provided, officers in the Brent Pensions Team in coordination with the Fund's Pensions Administration provider, collect data on key service related performance indicators and cost data which is used for comparisons over time and comparisons with other Funds where possible. Alongside performance discussions, regular monthly performance meetings are also held with LPP to discuss key projects taking place throughout the year and updates such as end of year queries, resourcing, reporting and other administration services.

The key data to confirm value for money is set out on the following pages. In summary this data confirms that the Brent Pension Fund continues to deliver a good quality service which meets the expectations of members of the fund. Overall performance over the last 12 months was 85.8%. This is lower than in recent years due to spikes in casework following the migration of IT systems that took place during the year for all LPP clients.

Summary of Activity

Performance Indicators

The LPP Pensions Administration Service is measured against key performance indicators that measure compliance, efficiency, and effectiveness of the service.

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Workflow summary

The table below shows a summary of the total cases received and completed by category for the year 1 April 2022 to 31 March 2023.

Staffing

LPP currently has 6.5 FTE working on Brent administration with a ratio of 1 member of staff to 6,669 fund members. The team completed a total of 5,347 cases include other contractual cases outside of the top 13 for the period 1st April 2022 to 31st March 2023, which averages 825 cases per staff member.

Where a member is unsure of their benefit entitlement or has problems with their benefits, the Local Pensions Partnership (LPP) should be contacted. If a member is not satisfied with any decision they have a right to ask for it to be re-examined under the formal complaints procedure, which is officially called 'internal dispute resolution procedure'. The formal complaints procedure has 2 stages and full details can be obtained from the LPP by either phone on 0300 323 0260 or by writing to Local Pensions Partnership, PO Box 1383, Preston, PR2 0WR.

Complaints

LPP now have a dedicated complaints team who deal with all complaints. This allows the complaint to be dealt with independently of the administration team and gives consistency when responding to complaints. There was a total of 50 complaints received during the year, broken down by quarter below.

Quarter	Number of complaints
Q1	8
Q2	9
Q3	13
Q4	20
Totals	**50**

Dispute resolution procedure

There were 5 Internal Dispute Resolutions received during the period 1st April 2022 to 31st March 2023.

Where a member is unsure of their benefit entitlement or has problems with their benefits, the Local Pensions Partnership (LPP) should be contacted. If a member is not satisfied with any decision they have a right to ask

for it to be re-examined under the formal complaints procedure, which is officially called 'internal dispute resolution procedure'. The formal complaints procedure has 2 stages and full details can be obtained from the LPP by either phone on 0300 323 0260 or by writing to Local Pensions Partnership, PO Box 1383, Preston, PR2 0WR.

Accuracy of data

Each year, following year-end processing, LPP raise queries with Brent employers such as missing joiners, leavers, change of hours and pay queries. In most instances the queries are reducing year on year, however LPP continue to identify any errors and work with employers prior to the queries being created. To this end, feedback has been received from employers and subsequently, LPP have improved templates and literature to ensure the data supplied by Brent employers is accurate and continues to improve the overall data quality position. Additionally, data quality is reviewed by the Pension Board on a regular basis. The annual common and conditional data accuracy rate at the end of March 2023 is shown in the table below.

COMMON DATA CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
Invalid or Temporary NI Number	3	78	24
Duplicate effective date in status history	0	8	9
Gender is not Male or Female	0	0	0
Duplicate entries in status history	10	33	20
Missing (or known false) Date of Birth	0	0	0
Date Joined Scheme greater than first status entry	10	0	4
Missing Surname	0	0	0
Incorrect Gender for members title	0	0	0
Invalid Date of Birth	5	0	0
No entry in the status history	2	0	0
Last entry in status history does not match current status	13	6	1
Member has no address	22	527	32
Missing Forename(s)	0	6	1
Missing State Retirement Date	0	0	0
Missing postcode	22	570	57
Missing Date Joined Pensionable Service	1	0	0
Total Fails	88	1,228	148
Individual Fails	62	667	99
Total Members	6,062	10,119	7,160
Accuracy Rate	99.0%	93.4%	98.6%
Total accuracy rate			96.5%

CONDITIONAL DATA CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	105
AVC's/Additional Contributions	25
Deferred Benefits	8
Tranches (DB)	0
Gross Pension (Pensioners)	56
Tranches (Pensioners)	0
Gross Pension (Dependants)	78
Tranches (Dependants)	78
Date of Leaving	163
Date Joined Scheme	167
Employer Details	3
Salary	219
Crystallisation	280
Annual Allowance	152
LTA Factors	99
Date Contracted Out	5
Pre-88 GMP	699
Post-88 GMP	532
Total Fails	2,669
Individual Fails	2,420
Total Members	23,341
Accuracy Rate	89.6%

Financial Indicators

Unit Costs per Member

	2021/22	2022/23
Investment Management Expenses		
Total Costs £'000s	2,472	2,550
Total Membership Numbers	22,993	23,341
Cost per member £	107.51	109.25
Administration Expenses		
Total Costs £'000s	1,588	1,342
Total Membership Numbers	22,993	23,341
Cost per member £	69.06	57.50
Oversight and Governance Costs		
Total Costs £'000s	237	219
Total Membership Numbers	22,993	23,341

Cost per member £	10.31	9.38
Total cost per member £	186.88	176.13

The management fees disclosed above include investment management fees directly incurred by the Fund i.e. including those charged on pooled fund investments which tend to be deducted from the market value of the investments rather than invoiced to the Fund. In addition to these costs, indirect costs are incurred through the bid offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

Staffing Indicators

The table below shows the number of staff over the last two years in the Pensions Administration Team working exclusively on Local Government pension benefits.

	2021/22	**2022/23**
Number of full time equivalent staff	6.3	6.5
Total fund membership	22,993	23,341
Number of fund members to one member of administration staff	3,650	3,591

Other Information

Further information regarding analysis of the Brent Pension Fund's membership data and list of contributing employers to the Fund can be found under the Brent Pension Fund Annual Accounts for 2022-23.

A summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) has been provided in Appendix B to this report.

For information about the Scheme generally, please see the following contact details:

pensions@brent.gov.uk	For non-teachers pension enquiries
tppensions@brent.gov.uk	For teachers pensions enquiries
Pension.Returns@brent.gov.uk	For all monthly contribution schedules only
askpensions@localpensionspartnership.org.uk	To communicate directly with the LPP

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6. Actuarial Information

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary. The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022.

The purpose of this is to establish that the Brent Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of accrued liabilities.

In summary, the key funding principles are as follows:

- ensure that sufficient resources are available to meet all benefits as they fall due for payment;
- recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- enable employer contributions to be kept as stable as possible and at reasonable cost; and
- maximise the returns from investments within reasonable risk parameters.

The most recent valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,134m were sufficient to meet 87% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £162m.

During 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35% of pensionable pay. Other employers have different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

A summary of the last triennial valuation report and details of the version of the actuarial report can be obtained below:

https://legacy.brent.gov.uk/media/16420650/230331-london-borough-of-brent-pension-fund-2022-final-valuation-report.pdf?_ga=2.75412560.377455594.1693473320-2002706944.1684229698

London Borough of Brent Pension Fund ("the Fund")

Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,134 million, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £162 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions for the 2022 Valuation of The Fund

Financial assumptions	**31 March 2022**
Discount rate	4.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Life Expectancy Assumptions for the 2022 Valuation of The Fund

Type of Pensioner	Males' Average Life Expectancy	Females' Average Life Expectancy
Current Pensioners	22.1 years	24.8 years
Future Pensioners*	23.4 years	26.3 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2023

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA

18 May 2023

For and on behalf of Hymans Robertson LLP

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7. Governance

Annual Governance Statement

The Local Government Pension Scheme Regulations 2013 require the Fund to maintain a Governance Policy Statement. The Council, as Administering Authority for the Brent Pension Fund, has delegated responsibility for managing the Fund's investments to its Pension Fund Sub-Committee. The Pension Fund Sub-Committee oversees the proper administration and management of the Pension Fund. It is responsible for:

- undertaking statutory functions on behalf of the Local Government Pension Scheme and ensuring compliance with legislation and best practice
- determining policy for the investment, funding and administration of the Pension Fund
- considering issues arising and making decisions to secure efficient and effective performance and service delivery
- appointing and monitoring all relevant external service providers:
  - fund managers
  - advisers
  - custodian
  - actuary
  - all other professional services associated with the structure and functions of the Pension Fund
- monitoring performance across all aspects of the service
- ensuring that arrangements are in place for consultation with stakeholders as necessary
- considering the annual statement of Pension Fund accounts
- considering and approving the Pension Fund actuarial valuation.

The Pension Fund Sub-Committee normally meets four times each year. These meetings are used mainly for discussions about the Fund's investment management activities, using reports on strategies and performance prepared by the Corporate Director, Finance and Resources and considering any views of the investment advisers. The Pension Fund Sub-Committee will also consider reports from the Director of Finance, the investment advisers and other consultants as necessary on a range of issues, for example reviews of the Statement of Investment Principles, training, and proposals for scheme change.

Training

Members of the Pension Fund Sub-Committee and Brent officers have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate. The cost of attending is charged to the Pension Fund. Training is delivered in advance of all committee meetings and to ensure that the sessions are effective, Topics are usually arranged in line with agenda items.

Training provided in 2022/23 included:

- Investment Basics
- Current issues and themes
- Actuarial valuation
- Asset-Liability Modelling
- Long-Term Asset Allocation and Diversification
- Property Training

Use of advisers

The Corporate Director, Finance and Resources, Deputy Director of Finance and Head of Pensions advise the Pension Fund Sub-Committee on all Pension Fund investment and administrative matters.

The Fund's Investment advisor advises the Pension Fund Sub-Committee on investment matters.

The Pension Fund Sub-Committee uses the Fund's actuary, Hymans Robertson, and other consultants as necessary, for advice on matters when in-house expertise is not available. The Pension Fund Sub-Committee takes advice from the actuary, the fund managers or specialist consultants or advisers as required on asset allocation, selecting managers, and investment performance targets.

Communications with Fund employers and members

Each financial year, an annual report on the Fund is prepared for the Fund's employers. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.

Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

Governance Compliance Statement

This statement shows how Brent Council as the Administering Authority of the Brent Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2013.

Ref.	Principles	Compliance and comments
A	**Structure**	
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance. Brent Council's constitution sets out the terms of reference for the Pension Fund Sub-Committee.
b.	That representatives of participating LGPS employers, admission bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Full compliance.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No formal secondary committees or panels have been established.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No formal secondary committees or panels have been established.
B	**Representation**	
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, e.g. admission bodies) ii) scheme members (including deferred and pensioner scheme members)	Full compliance. The Pension Fund Sub-Committee includes a representative of the other employers in the Fund and contributor members. The Fund's investment adviser attends Pension Fund Sub-Committee meetings. Independent professional observers are not regarded as appropriate.

Ref.	Principles	Compliance and comments
	iii) where appropriate, independent professional observers, and iv) expert advisers (ad-hoc basis only).	
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
C	**Selection and role of lay members**	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance.
D	**Voting**	
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance. All representatives on the Pension Fund Sub-Committee have full voting rights, but the Sub-Committee works by consensus without votes being required.
E	**Training/facility time/expenses**	
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance. Full training and facilities are made available to all members of the Pension Fund Sub-Committee.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance.
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance. A training plan has been prepared for the Pension Fund Sub-Committee and training logs are maintained for all such training undertaken.
F	**Meetings (frequency/quorum)**	
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance. The Pension Fund Sub-Committee meets regularly throughout the year. Additional meetings can be arranged to fit its business needs.
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	No formal secondary committees or panels have been established.
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance. The Pension Fund Sub-Committee includes lay members. Employers' forums are arranged for employers.

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Ref.	Principles	Compliance and comments
G	**Access**	
a.	That, subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
H	**Scope**	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance. The Pension Fund Sub-Committee deals with fund administration issues as well as fund investment.
I	**Publicity**	
	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance. The Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.

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Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2023

2021/22 £m		Notes	2022/23 £m
	Dealings with members, employers and others directly involved in the fund		
(64.1)	Contributions	7	(67.5)
(6.8)	Transfers in from other pension funds	8	(6.3)
(70.9)			**(73.8)**
46.8	Benefits	9	47.8
5.9	Payments to and on account of leavers	10	7.8
52.7			**55.6**
(18.2)	**Net (additions)/withdrawals from dealings with members**		**(18.2)**
4.3	Management expenses	11	4.1
(13.9)	**Net (additions)/withdrawals including management expenses**		**(14.1)**
	Returns on investments		
(1.1)	Investment income	12	(1.1)
0.0	Taxes on income	13	2.9
(88.1)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	25.8
(89.2)	**Net return on investments**		**27.6**
(103.1)	**Net (increase)/decrease in the net assets available for benefits during the year**		**13.5**
(1,030.7)	**Opening net assets of the scheme**		**(1,133.8)**
(1,133.8)	**Closing net assets of the scheme**		**(1,120.3)**

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Net Assets Statement

31 March 2022 £m		Notes	31 March 2023 £m
1,127.7	Investment assets	14	1,116.1
1,127.7			**1,116.1**
8.6	Current assets	20	8.1
(2.5)	Current liabilities	21	(3.9)
1,133.8	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,120.3**

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2023 but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

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Notes to the Brent Pension Fund accounts

1. Description of Fund

The Brent Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by Brent Council.

The following description of the Fund is a summary only.

a) General

The Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.
Organisations participating in the Brent Pension Fund include:

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

There were 42 employer organisations with active members within the Brent Pension Fund at 31 March 2023, listed below:

Scheduled bodies
London Borough of Brent
Alperton Community School
ARK Academy
ARK Elvin Academy
ARK Franklin Academy
Braintcroft Primary School
Capital City Academy
Claremont High School Academy
Compass Learning Partnership
Crest Academy
Furness Primary School
Gladstone Park Primary School
Kingsbury High School
Manor School
Michaela Community School
North West London Jewish Day School

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Oakington Manor Primary School
Our Lady of Grace RC Infants School
Our Lady of Grace RC Juniors School
Preston Manor High School
Queens Park Community School
Roundwood School and Community Centre
St Andrews and St Francis School
St Claudine's Catholic School for Girls
St Gregory's RC High School
St Margaret Clitherow
Sudbury Primary School
The Village School
Wembley High Technology College
Woodfield School Academy

Admitted bodies

Barnardos
CATERLINK LTD
Conway Aecom Ltd
DB Services
FM Conway
Local Employment Access Project (LEAP)
National Autistic Society (NAS)
Prospects Services (BR)
Sudbury Neighbourhood Centre
Taylor Shaw
Veolia
Veolia (Ground Maintenance)

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31-Mar-22	Brent Pension Fund	31-Mar-23
44	Number of employers with active members	42
	Number of employees in scheme	
4,399	Brent Council	4,303
1,640	Other employers	1,758
6,039	**Total**	**6,061**
	Number of pensioners	
6,210	Brent Council	6,341
757	Other employers	819
6,967	**Total**	**7,160**
	Deferred pensioners	
7,188	Brent Council	7,218
1,280	Other employers	1,326
8,468	**Total**	**8,544**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. During 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% of pensionable pay.

d) Benefits

Since April 2014, the scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate 1/49th. Accrued pension is updated annually in line with the Consumer Price index.

For a summary of the scheme before April 2014 and details of a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits please refer to the LGPS website: www.lgpsmember.org

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 issued by the Chartered

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Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section o below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

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

c) Investment income

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

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

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

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions' administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Net Assets Statement

h) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the

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contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:
- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Contingent Assets

Admitted body employers in the Brent Pension Fund hold bonds to guard against possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 25.

j) Foreign currency transactions

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

k) Derivatives

The Fund does not use derivative financial instruments to manage its exposure to specific risks arising from its investment activities in its own name. Neither does it hold derivatives for speculative purposes.

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

o) Additional voluntary contributions

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 22).

4. Critical judgements in applying accounting policies

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Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% p/a decrease in the discount rate assumption would result in an increase in the pension liability of approximately £24m. A 0.1% increase in Pension Increase Rate (CPI) would increase the value of liabilities by approximately £23m, and a one-year increase in assumed life expectancy would increase the liability by around 4% (c. £55m).
Private equity / infrastructure / private debt	Private equity/infrastructure/private debt investments are valued based on the latest available information, updated for movements in cash where relevant. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure/private debt investments in the financial statements are £116m. There is a risk that this investment may be under- or overstated in the accounts up to 17% (an increase or decrease of £20m).

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6. Events after the Reporting Date

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions receivable

By category

	2021/22	2022/23
	£m	£m
Employees' Contributions	9.7	10.6
Employers' Contributions:		
Normal contributions	49.9	55.0
Deficit recovery contributions	1.7	0.0
Augmentation contributions	2.8	2.0
Total Employers' contributions	54.4	57.0
Total contributions receivable	**64.1**	**67.6**

By authority

	2021/22	2022/23
	£m	£'000
Administering Authority	50.7	54.4
Scheduled bodies	11.9	12.7
Admitted bodies	1.4	0.5
Total	**64.1**	**67.6**

8. Transfers in from other pension funds

	2021/22	2022/23
	£m	£m
Individual transfers	6.8	6.3
Total	**6.8**	**6.3**

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9. Benefits payable

By category

	2021/22	2022/23
	£m	**£m**
Pensions	39.7	41.4
Commutation and lump sum retirement benefits	6.1	6.1
Lump sum death benefits	1.1	0.3
Total	**46.8**	**47.8**

By authority

	2021/22	2022/23
	£m	**£m**
Administering Authority and Scheduled bodies	46.5	47.5
Admitted bodies	0.3	0.3
Total	**46.8**	**47.8**

10. Payments to and on account of leavers

	2021/22	2022/23
	£m	**£m**
Refunds to members leaving service	0.2	0.2
Individual transfers	5.7	7.6
Total	**5.9**	**7.8**

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11. Management Expenses

	2021/22	2022/23
	£m	£m
Administration costs	1.6	1.4
Investment management expenses	2.5	2.5
Oversight and Governance costs	0.2	0.2
Total	**4.3**	**4.1**

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £38k (£38k 2021/22).

a) Investment management expenses

	2021/22	2022/23
	£m	£m
Management fees	2.4	2.4
Custody fees	0.1	0.1
Total	**2.5**	**2.5**

Fund Manager	2022/23 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.1	0.1	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.0	0.0	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.1	0.1	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
UBS Triton	0.1	0.1	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
Total	**2.5**	**2.4**	**0.1**	**0.0**

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Fund Manager	2021/22 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Alinda	0.2	0.2	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.1	0.1	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.1	0.1	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.0	0.0	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
Total	**2.5**	**2.4**	**0.1**	**0.0**

12. Investment income

	2021/22	2022/23
	£m	£m
Dividend income from private equities/infrastructure/property	0.4	0.3
Interest income from private equities/infrastructure/private debt	0.7	0.5
Interest on cash deposits	0.0	0.3
Total	**1.1**	**1.1**

13. Taxes on income

	2021/22	2022/23
	£m	£m
Withholding tax	0.0	2.9
Total	**0.0**	**2.9**

14. Investments

Investments asset	Market value 31 March 2022	Market value 31 March 2023
Pooled investments	986.6	947.9
Pooled property investments	15.7	25.0
Private equity/infrastructure/private debt	101.3	115.7
	1,103.6	**1,088.6**

14a. Investments 2022/23	Market value 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2023
	£m	£m	£m	£m	£m
Pooled investments	986.6	13.0	(13.0)	(38.7)	947.9
Pooled property investments	15.7	0.0	0.0	9.3	25.0
Private equity/infrastructure /private debt	101.3	26.2	(15.4)	3.6	115.7
	1,103.6	**39.2**	**(28.4)**	**(25.8)**	**1,088.6**
Other investment balances: Cash Deposit	24.1				27.5
Investment income due	0.0				0.0
Net investment assets	**1,127.7**				**1,116.1**

Investments 2021/22	Market value 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£m	£m	£m	£m	£m
Pooled investments	897.4	15.0	(1.6)	75.8	986.6
Pooled property investments	0.0	15.0	0.0	0.7	15.7
Private equity/infrastructure	81.1	37.8	(29.2)	11.6	101.3
	978.5	**67.8**	**(30.8)**	**88.1**	**1,103.6**
Other investment balances: Cash Deposit	53.8				24.1
Investment income due	0.0				0.0
Net investment assets	**1,032.3**				**1,127.7**

14b. Analysis of investments by category

	31 March 2022 £m	31 March 2023 £m
Pooled funds - additional analysis		
UK		
Fixed income unit trust	43.7	41.9
Unit trusts	145.1	124.2
Diversified growth funds	232.5	222.3
Overseas		
Unit trusts	565.3	559.5
Total Pooled funds	986.6	947.9
Pooled property investments	15.7	25.0
Private equity/infrastructure/private debt	101.3	115.7
Total investments	**1,103.6**	**1,088.6**

14c. Analysis of investments by fund manager

		Market Value		
31 March 2022			**31 March 2023**	
£m	**%**	**Fund manager**	**£m**	**%**
573.9	52.0%	Legal & General	557.9	51.2%
0.2	0.0%	London CIV	0.2	0.0%
43.8	4.0%	LCIV - JP Morgan	43.3	4.0%
36.2	3.3%	Capital Dynamics	27.0	2.5%
135.1	12.2%	LCIV - Baillie Gifford	123.7	11.4%
97.4	8.8%	LCIV - Ruffer	98.6	9.1%
43.7	4.0%	LCIV - MAC (CQS)	41.9	3.8%
21.4	1.9%	LCIV - Infrastructure	36.8	3.4%
20.3	1.8%	LCIV - Private Debt	34.8	3.2%
23.4	2.1%	Alinda	17.1	1.6%
15.7	1.4%	Fidelity UK Real Estate	13.7	1.3%
15.4	1.4%	Blackrock Low Carbon Global Equity	28.1	2.6%
77.1	7.0%	Blackrock	54.2	5.0%
0.0	0.0%	UBS Triton Property Fund	11.3	1.0%
1,103.6	**100.0%**		**1,088.6**	**100.0%**

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The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the United Kingdom.

Security	Market value 31 March 2022	% of total fund	Market value 31 March 2023	% of total fund
L&G - Global Equities	506.1	44.9%	488.1	43.3%
L&G - UK Equities	67.8	6.0%	69.8	6.2%
Blackrock - Over 15 year Gilts	77.1	6.8%	54.2	4.8%
LCIV - Baillie Gifford DGF	135.1	12.0%	123.7	11.0%
LCIV - Ruffer DGF	97.4	8.6%	98.6	8.7%

14d. Stock lending

The London Borough of Brent Pension Fund does not operate a Stock Lending programme.

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15. Fair Value – Basis of Valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

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15a. Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value of decrease
		£m	£m	£m
Private equity	31.2%	24.4	32.0	16.8
Infrastructure	16.0%	56.5	65.5	47.5
Private debt	9.6%	34.8	38.1	31.5

15b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

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

Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Brent Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Transfers between levels will be recognised when there has been a change to observable mark data (improvement or reduction) or other change in valuation technique.

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

	Quoted market price	**Using observable inputs**	**With significant unobservable inputs**	
Values at 31 March 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets at fair value through profit and loss				
Pooled investments		947.9		**947.9**
Pooled property investments		25.0		**25.0**
Private Equity/Infrastructure/Private Debt			115.7	**115.7**
Subtotal Financial assets at fair value through profit and loss	**0.0**	**972.9**	**115.7**	**1,088.6**
Cash	27.5			**27.5**
Investment Income due	0.0			**0.0**
Subtotal Loans and receivables	**27.5**	**0.0**	**0.0**	**27.5**
Total Financial assets	**27.5**	**972.9**	**115.7**	**1,116.1**
Financial liabilities				
Current liabilities	**(3.9)**			**(3.9)**
Subtotal Financial liabilities at amortised cost	**(3.9)**	**0.0**	**0.0**	**(3.9)**
Total Financial liabilities	**(3.9)**	**0.0**	**0.0**	**(3.9)**
Net Financial assets	**23.6**	**972.9**	**115.7**	**1,112.2**

Values at 31 March 2022	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss				
Pooled investments		986.6		**986.6**
Pooled property investments		15.7		**15.7**
Private Equity/Infrastructure/Private Debt			101.3	**101.3**
Subtotal Financial assets at fair value through profit and loss	**0.0**	**1,002.3**	**101.3**	**1,103.6**
Cash	24.1			**24.1**
Investment Income due	0.0			**0.0**
Subtotal Loans and receivables	**24.1**	**0.0**	**0.0**	**24.1**
Total Financial assets	**24.1**	**1,002.3**	**101.3**	**1,127.7**
Financial liabilities				
Current liabilities	**(2.5)**			**(2.5)**
Subtotal Financial liabilities at amortised cost	**(2.5)**	**0.0**	**0.0**	**(2.5)**
Total Financial liabilities	**(2.5)**	**0.0**	**0.0**	**(2.5)**
Net Financial assets	**21.6**	**1,002.3**	**101.3**	**1,125.2**

15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2022	101.3
Transfers into Level 3	0.0
Transfers out of Level 3	0.0
Purchases	26.2
Sales	(15.4)
Issues	0.0
Settlements	0.0
Unrealised gains/losses	16.8
Realised gains/losses	(13.2)
Value at 31 March 2023	115.7

16. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2022				31 March 2023		
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
			Financial assets			
986.6			Pooled investments	947.9		
15.7			Pooled property investments	25.0		
101.3			Private equity/ infrastructure/private debt	115.7		
	24.1		Cash		27.5	
	8.6		Debtors		8.1	
1,103.6	**32.7**	**0.0**	**Total Financial assets**	**1,088.6**	**35.6**	**0.0**
			Financial liabilities			
		(2.5)	Creditors			(3.9)
0.0	**0.0**	**(2.5)**	**Total Financial liabilities**	**0.0**	**0.0**	**(3.9)**
1,103.6	**32.7**	**(2.5)**	**Net Financial assets**	**1,088.6**	**35.6**	**(3.9)**

16a. Net gains and losses on Financial Instruments

31 March 2022		31 March 2023
£'000		£'000
88.1	Fair value through profit and loss	(25.8)
88.1	**Total**	**(25.8)**

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17. Nature and extent of risks arising from financial instruments

Risk and risk management

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

Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

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

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

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Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period. (Based on data as at 31 March 2023 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Other price risk – sensitivity analysis

	31/03/2023 Value (£m)	**Potential market movements (+/-)**
Asset Type		
Bonds	54.2	7.6%
Equities	629.5	19.3%
Other Pooled investments	264.2	10.7%
Pooled Property investments	25.0	15.5%
Private Equity	24.4	31.2%
Infrastructure	56.5	16.0%
Private debt	34.8	9.6%

Had the market price of the fund investments increased/decreased by 1% the change in the net assets available to pay benefits in the market price would have been as follows:

Asset Type	**31/03/2023 Value (£m)**	**Potential value on increase (£m)**	**Potential value on decrease (£m)**
Bonds	54.2	58.3	50.1
Equities	629.5	751.0	508.0
Other Pooled investments	264.2	292.5	235.9
Pooled Property investments	25.0	28.9	21.1
Private Equity	24.4	32.0	16.8
Infrastructure	56.5	65.5	47.5
Private debt	34.8	38.1	31.5
Total	**1,088.6**	**1,266.4**	**910.8**

Interest rate risk exposure asset type

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

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2022	**31 March 2023**
	£m	**£m**
Cash balances	24.1	27.5
UK Fixed income unit trust	43.7	41.9
Total	**67.8**	**69.4**

Asset type	**Carrying amount as at 31 March 2023**	**+1%**	**-1%**
	£m		**£m**
Cash balances	27.5	0.3	(0.3)
UK Fixed income unit trust	41.9	0.4	(0.4)
Total	**69.4**	**0.7**	**(0.7)**

Asset type	**Carrying amount as at 31 March 2022**	**+1%**	**-1%**
	£m		**£m**
Cash balances	24.1	0.3	(0.3)
UK Fixed income unit trust	43.7	0.4	(0.4)
Total	**67.8**	**0.7**	**(0.7)**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2023 and as at the previous period end:

Currency risk exposure - asset type	**Asset value at 31 March 2022**	**Asset value at 31 March 2023**
	£m	**£m**
Overseas unit trusts	565.3	559.5
Overseas pooled property investments	0.0	0.0
Overseas private equity/infrastructure/private debt	101.3	115.7
Total	**666.6**	**675.2**

A 1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency rate risk	**Asset value as at 31 March 2023**	**+1%**	**-1%**
	£m	**£m**	**£m**
Overseas unit trusts	559.5	5.6	(5.6)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	115.7	1.2	(1.2)
Total	**675.2**	**6.8**	**(6.8)**

Assets exposed to currency rate risk	**Asset value as at 31 March 2022**	**+1%**	**-1%**
	£m	**£m**	**£m**
Overseas unit trusts	565.3	5.7	(5.7)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	101.3	1.0	(1.0)
Total	**666.6**	**6.7**	**(6.7)**

b) Credit risk

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

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

The Pension Fund's cash balance is held in an interest-bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria.

The Pension Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £27.5m (31 March 2022: £24.1m). This was held with the following institutions:

Credit risk exposure

	Rating	Balances at 31 March 2022 £m	Balances at 31 March 2023 £m
Bank deposit accounts			
NatWest	A	0.9	0.8
Northern Trust - Aviva Cash		0.1	0.1
Money Market deposits	AAA	23.1	26.6
Other short-term lending			
Local authorities		0.0	0.0
Total		**24.1**	**27.5**

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c) Liquidity risk

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

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2023 the value of illiquid assets was £140.7m, which represented 12.6% (31 March 2022: £117.0m, which represented 10.4%) of the total fund assets.

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2023 are due within one year."

Liquidity Risk

	31-Mar-22	**%**	**31-Mar-23**	**%**
Pooled investments	986.6	87.5%	947.9	84.9%
Cash deposits	24.1	2.1%	27.5	2.5%
Investment income due	0	0.0%	0.0	0.0%
Total liquid investments	**1,010.7**	**89.6%**	**975.4**	**87.4%**
Pooled property investments	15.7	1.4%	25.0	2.2%
Private Equity/ Infrastructure/private debt	101.3	9.0%	115.7	10.4%
Total illiquid investments	**117.0**	**10.4%**	**140.7**	**12.6%**
Total investments	**1,127.7**	**100.0%**	**1,116.1**	**100.0%**

d) Refinancing risk

The key risk is that the Pension Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18. Funding arrangements

In line with the LGPS Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025 and results are scheduled to be released by 31 March 2026.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years from 1 April 2022 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2022 actuarial valuation the Fund was assessed as 87% funded, which is a improvement to the 78% valuation at the 2019 valuation. This corresponded to a deficit of £162m (2019 valuation: £248m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 20 years from April 2022.

Contribution increases or decreases may be phased in over the three-year period beginning 1 April 2023 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2023/24	33.5%
2024/25	32.0%
2025/26	30.5%

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

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The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The main actuarial assumptions used for the 2022 actuarial valuation were as follows:

Discount rate	4.3% p.a.
Pay increases	3.0% p.a.
Pension increases	2.7% p.a.

Demographic assumptions

Future life expectancy based on the Actuary's fund-specific review was:

Life expectancy at age 65	Male	Female
Current pensioners	22.1 years	24.8 years
Future Pensioners retiring in 20 years	23.4 years	26.3 years

Commutation assumption

It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits.

19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2023 was £1,380m (31 March 2022: £1,838m). This figure includes both vested and non-vested benefits, although the latter is assumed to have a negligible value. The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

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Financial assumptions

Inflation/pensions increase rate	3.00%
Salary increase rate	3.30%
Discount rate	4.75%

Longevity assumption

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.0 years	24.7 years
Future pensioners*	23.0 years	25.9 years

* Future pensioners are assumed to be currently aged 45

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	24
1 year increase in member life expectancy	4%	55
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	23

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1 year increase in life expectancy would approximately increase the liabilities by around 4% (c. £55m).

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20. Assets

a) Current assets

	31 March 2022	31 March 2023
	£m	£m
Debtors:		
- Contributions due – employees	0.2	0.2
- Contributions due – employers	0.9	1.2
- Sundry debtors	7.5	6.7
Total	**8.6**	**8.1**

Analysis of debtors

	31 March 2022	31 March 2023
	£m	£m
- Central government bodies	0.8	0.9
- Other local authorities	6.1	5.8
- Other entities and individuals	1.7	1.4
Total	**8.6**	**8.1**

21. Current liabilities

	31 March 2022	31 March 2023
	£m	£m
Group transfers	0.0	0.0
Sundry creditors	2.5	3.9
	2.5	**3.9**

Analysis of creditors

	31 March 2022	31 March 2023
	£m	£m
Central government bodies	1.0	1.0
Other entities and individuals	1.5	2.9
Total	**2.5**	**3.9**

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22. Additional voluntary contributions

	Market value 31 March 2022 £m	Market value 31 March 2023 £m
Clerical Medical	1.3	1.1
Prudential	0.7	0.7
	2.0	**1.8**

	Contributions 31 March 2022 £m	Contributions 31 March 2023 £m
Clerical Medical	0.0	0.0
Prudential	0.1	0.1
	0.1	**0.1**

For information, Prudential has since replaced Clerical Medical as the Fund's AVC provider with effect from 1 April 2014.

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

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23. Related party transactions

Brent Council

The Brent Pension Fund is administered by Brent Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.30m (2021/22: £1.24m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £43.9m to the Fund in 2022/23 (2021/22: £41.0m)

Governance

One member of the Pension Fund Sub-committee is in receipt of pension benefits from the Brent Pension Fund (chair Cllr R Johnson). Each member of the Pension Fund Sub-Committee is required to declare their interests at each meeting.

Key management personnel

The key management personnel of the fund are the Chief Executive, Corporate Director Finance and Resources (s.151 officer), Corporate Director Governance, Deputy Director of Finance and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	31st March 2022	**31st March 2023**
	£m	**£m**
Short Term Benefits	0.040	0.091
Post-Employment Benefits	0.012	0.000
Termination Benefits	0.000	0.030
Total Remunerations	**0.052**	**0.121**

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24. Contingent liabilities and capital commitments

Outstanding capital commitments (investments) at 31 March 2023 totalled £60.5m (31 March 2022 £82.1m)

	31st March 2022	**31st March 2023**
	£m	**£m**
Capital Dynamics	12.9	13.5
Alinda Fund II	2.5	2.4
Alinda Fund III	8.1	9.1
London CIV Infrastructure Fund	28.9	17.1
London CIV Private Debt Fund	29.7	18.4
Total	**82.1**	**60.5**

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

25. Impairment Losses

The Fund had no Impairment Losses at 31 March 2023.

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Placeholder - independent auditor's report yet to be drafted

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10. Glossary

Accounting Policies

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

Accruals

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

Active Management

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

Active Member

Current employee who is contributing to a pension scheme.

Actuarial Assumptions

The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.

Actuarial Gains and Losses

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

Actuarial Valuation

A review of the Pension Fund by a qualified Actuary, which takes place every three years to ensure that employers' contributions are sufficient to maintain the solvency of the Fund in the long term.

Actuary

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

Administering Authority

A local authority with statutory responsibility for running a pension fund under LGPS regulations, in effect the Fund's "trustees". Within the geographical boundary of the London Borough of Brent this is Brent Council.

Admitted Bodies

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

Alternative Investments

Less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency, and futures.

Asset Allocation / Asset Mix

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

Auditor

An independent qualified accountant who is required to verify and agree the Pension Fund Accounts and issue an opinion on their accuracy.

AVCs

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

Benchmark

A measure against which the investment policy or performance of an investment manager can be compared. e.g., for a global equity fund the benchmark against which it will be measured could be made up 70%/30% by overseas equities/UK equities. A target return is generally expressed as some margin over the benchmark.

Bond

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

Bulk Transfer

A transfer of a group of members agreed by and taking place between two pension schemes.

Cessation Valuation

A calculation carried out by the Actuary when an employer leaves the Fund, which may result in a final deficit payment becoming due to the Fund.

CIPFA (Chartered Institute of Public Finance and Accounting)

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

Common contribution rate

The Fund-wide future service rate plus past service adjustment. It should be noted that this will differ from the actual contributions payable by individual employers.

Commutation

The conversion of an annual pension entitlement into a lump sum on retirement.

Contingent Liability

A possible loss, subject to confirmation by an event after the Balance Sheet date, where the outcome is uncertain in terms of cost.

Covenant

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

Creditors

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

Debtors

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

Deferred Members

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

Defined Benefit Scheme

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

Deficit

The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Derivative

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

Discount rate

The annual rate at which future assumed cash flows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate.

Dividends

Income to the Fund on its holdings of UK and overseas shares..

Employer Contribution Rates

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

Emerging Markets

The financial markets of developing economies.

Equities

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

Exchange Traded

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

Financial Assets

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

Final Pay

This is the figure used to calculate most of a member's pension benefits and is normally their pay in the last year before they retire, or one of the previous two years' pay if that amount is higher. For a part-time employee, the figure used is normally the pay they would have received had they worked whole time.

Fixed Interest Securities

Investments in stocks mainly issued by governments, which guarantee a fixed rate of interest.

Forward Foreign Exchange Derivative

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

FTSE

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

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Fund Manager

A firm of professionals appointed by the Pension Fund Sub-Committee to carry out day to day investment decisions for the Fund within the terms of their Investment Management Agreement.

Funding Level

The ratio of assets value to liabilities value.

Funding Target

The amount of assets which the Fund needs to hold at any point in time to meet all benefits promised.

Future service rate

The actuarially calculated cost of each year's build-up of pension by the current active members, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial assumptions.

Gilts

Fixed-interest bonds issued by the British government, i.e., a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency. They are the equivalent of U.S. Treasury securities.

Global Custodian

A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

Guarantor

A body which guarantees to pay for an Admitted Body's liabilities in case of default. For any new Admitted Body wishing to join the Fund, the Administering Authority will require a Guarantor. The presence of a Guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its Guarantor's.

Hedge Fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Hedging

A strategy which aims to eliminate a risk in an investment transaction (both upside and downside potential). Often used in the context of overseas investments to eliminate the impact of currency movements.

Income Yield

Annual income on an investment divided by its price and expressed as a percentage.

Index

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

Index-Linked Securities

Investments which generate returns in line with an index.

Investment Adviser

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals.

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Letting employer

An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS

Local Government Pension Scheme – a nationwide scheme for employees working in local government or working for other employers participating in the scheme. Government Regulations dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g., regarding investment strategy, employer contributions and choice of advisers.

Liabilities

The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

Mandate

A set of instructions given to the fund manager by the client as to how a fund is to be managed (e.g., targets for performance against a benchmark may be set or the manager may be prohibited from investing in certain stocks or sectors).

Market Value

The "on paper" value of a security at a specific point in time. It is calculated by multiplying the number of shares held by market price of that share in sterling terms.

Maturity

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

Members

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

Orphan Liabilities

Residual liabilities of employers from whom no further funding can be obtained.

Outperformance / underperformance

The difference in returns gained by a particular fund against the "average" fund or an index over a specified time period, i.e., a target for a fund may be outperformance of a given benchmark over a three-year period.

Over The Counter

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

Past service adjustment

The part of the employer's annual contribution which relates to past service deficit repair.

Passive Management

Passive management is where the investments mirror a market index.

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Performance

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period – either in absolute terms or as measured against the "average" fund of a particular benchmark.

Pooled Investment Fund

A collective investment scheme that works by pooling money from different individual investors.

Pooling

Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Pooled Investment Vehicles

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

Projected Unit Method – Pension Fund Valuation

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

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

Portfolio

Term used to describe all investments held.

Private Equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e., not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e., current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.

Rates and Adjustments Certificate

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

Recovery Period

Timescale allowed over which surpluses or deficiencies to the Fund can be eliminated.

Related Parties

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

- One party has direct or indirect control of the other party: or
- The parties are subject to common control from the same source; or

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

Related Parties Transaction

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

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

Recovery Period

Timescale allowed over which surpluses or deficiencies to the Fund can be eliminated.

Regulations

The Scheme is governed by Regulation approved by Parliament. Necessary amendments are made to these Regulations by means of Statutory Instruments.

Return

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

Risk

Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more “stable” investments before investors will buy them.

Scheduled Bodies

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

Securities

Investment in company shares, fixed interest or index-linked stocks.

Solvency

When the Fund’s assets are greater than or equal to 100% of the Funding Target, which is the liabilities value.

SONIA

Sterling Overnight Index Average – the average of the interest rates that financial institutions charge banks to borrow sterling overnight. It is often used as a benchmark to set other interest rates or to measure returns on investments.

Stabilisation

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

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Statement of Investment Principles

Requirement, arising from the Pensions Act 1995, that all occupational pension plan trustees must prepare and maintain a written Statement of Investment Principles outlining policy on various investment matters (e.g., risk, balance between real and monetary assets, realisability of assets, etc.).

The Code

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

Theoretical contribution rate

The employer's contribution rate, including both future service rate and past service adjustment, which would be calculated on the standard actuarial basis, before any allowance for stabilisation, or other agreed adjustment.

Transfer Value

Capital value transferred to or from a scheme in respect of a contributor's previous periods of pensionable employment.

Unit Trust

A method which allows investors' money to be pooled and used by fund managers to buy a variety of securities.

Unrealised Gain/Losses

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

Valuation

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2019), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Yield Curve

A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates. For bonds, it typically compares the two- or five-year Treasury with the 30-year Treasury.

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11. Appendices

a. Pensions Administration Strategy

London Borough of Brent

Pension Administration Strategy

(PAS) 2023

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London Borough of Brent Pension Administration Strategy (PAS)

1. Introduction

The Pension Administration Strategy has been updated to take account of changes to the LGPS regulations and the guidance from The Pensions Regulator. This revised Pension Administration Strategy applies to all employers, academies, and maintained schools (referred to as here as scheme employers or employers).

The aim of this Pension Administration Strategy is to set out the quality and performance standards expected of the Fund and its scheme employers. The Administration Strategy will assist in clarifying the roles and responsibilities of both the Administering Authority and the Employing Authorities, i.e. those employers who participate in the Pension Fund.

This Pension Administration Strategy ensures that the London Borough of Brent Pension Fund ("the Fund"), "the Administering Authority" (The London Borough of Brent), and employers work together to ensure that accurate data is submitted in a timely manner and member events are notified within the service level agreement set out in this document. The Fund's strategy is to work with employers to achieve this and to assist and support employers to do so.

A review of the strategy will take place at least every three years or as soon as possible following any material changes to the regulations, processes or procedures that affect this strategy. Such changes will be made following consultation with employers and will be reviewed and agreed by LBB. Employers may submit suggestions to improve any aspect of this strategy at any time.

2. Pension Administration Strategy Policy Statement

2.1 Pensions Administration Strategy Statement

The statement sets out the aims and objectives of the Pensions Administration Strategy and gives a summary of the major elements which make up the strategy.

2.2 Legislative context

- Local Government Pension Scheme (Benefits, Membership and Contributions)
- Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and savings) Regulations 2013.

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("it's pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises, the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

2.3 Aims

In making this strategy the Funds aims are:

- To clarify the roles and responsibilities of the "Fund" and scheme employers in administering the Local Government Pension Scheme
- To ensure the services provided by the "Fund" are equitable and transparent
- To assist employers in the effective provision of necessary data.

2.4 Objectives

The Pensions Administration Strategy has a number of specific objectives, including:

- Deliver an efficient, quality and value for money service to its scheme employers and scheme members
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
- Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
- Set out clear roles and responsibilities for the Council and LPPA and work together to provide a seamless service to Scheme employers and scheme members
- Continuously review and improve the service provided

The Pension Administration Strategy will meet those objectives by introducing a service level agreement between the "Fund" and scheme employers. This will subsequently improve the flow of information between Employers and the Brent Pension Fund (as Administering Authority), ensuring that obligations are met, and ultimately that costs are kept to a minimum with scheme members receiving accurate and timely payment/notification of their entitlements.

Effective and efficient administration of the pension fund can be achieved where all parties meet their respective responsibilities outlined in the Pension Administration Strategy. This in turn provides benefits to all stakeholders in the Pension Fund, the Administering Authority, employers and scheme members. The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

For the Administering Authority, effective administration means:

- It can fulfil its obligations under the regulations for administering the pension scheme
- Lower costs, improved use of resources
- Easier and swifter provision of services to employers and scheme members
- Improved communication between Administering Authority, employers and scheme members
- Improved monitoring of performance
- Clean data enabling faster and more accurate monitoring of the Pension Fund by the Fund actuaries
- Improved decision making in relation to policies and investments

For Employing Authorities, effective administration means:

- Greater understanding of the Pension Fund and its impact upon them as an employer
- Lower costs
- Improved communication
- Employee satisfaction
- Improved decision making for budgeting
- Fulfilling its obligations as an Employing Authority under the LGPS regulations

For Scheme members, efficient administration means:

- Accurate records of their pension benefits
- Earlier issuance of annual benefit statements
- Faster responses to their pension record queries
- Faster access to benefits at retirement
- Improved communications
- Enhanced understanding of the pension scheme and the benefits of being a member

2.5 Documents which make up the strategy

Together with this statement the strategy is set out in the following documents:

- **Pensions Administration Strategy** - Service Level Agreement

The service level agreement sets out the roles and responsibilities of the “Fund” and scheme employers.

- **Pensions Administration Strategy** - Employer guide

The guide sets out the processes and procedures employers should follow in order to comply with their legal responsibilities under the LGPS regulations.

3. Service Level Agreement

Pensions Administration Strategy - Service level agreement

3.1 Employer Functions

The following functions have been designated employer functions. This means that they are outside the responsibilities of the administrating authority. The “Fund” provides these services for a fee (staffing charges applied by the day or per hour) and the amounts are set out in Annex 1.

There are no changes to these functions as a result of the revised strategy.

Task	Description
Redundancy and Severance	Calculation and payment of redundancy and/or severance payments
FRS 17	Provision of data required for FRS17 calculations
Cessation and interim valuation data	Provision of data required for interim and/or cessation valuations
Miscellaneous non LGPS	Any requests for advice or work which are outside of the requirements of an administrating authority as defined by the LGPS regulations
Admission Agreements	Setting up and amendment of admission agreements
3rd Party activity	Recharges will apply to any work for which a third party is required e.g lawyer or actuary, and the cost will be incurred by the employer

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3.2 Actuarial Functions

The following functions have been designated actuarial functions that employers will require input from both the LPPA and the Fund's Actuary Hymans Robertson. This means that they are functions which if required, must be provided by the LPPA and/or Hymans Robertson.

As above, there are no changes to these functions as a result of the revised strategy.

Task	Description
Legal work & non-standard actuarial work	Any work in relation to this will require input from both LPPA, the Funds Actuary and/or the Fund's legal advisors.
Cessation valuations	Any work in relation to this will require input from both LPPA and the Funds Actuary
Employer actuarial valuations	Any work in relation to this will require input from both LPPA and the Funds Actuary
Academy conversion	Any work in relation to this will require input from both LPPA and the Funds Actuary
Valuation of unfunded liabilities	Any work in relation to this will require input from both LPPA and the Funds Actuary

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3.3 Administrating Authority Functions

The following functions have been designated administrating authority functions since they relate directly to the core purpose of administering the scheme.

Also shown are the timescales we will complete the task within (from receipt of all information) and the on-time target for each task.

Key Performance Indicators (KPIs)

Case Type/Task	Timescale (working days)	Target (% within timescale)
Admissions	10	95%
Transfers In/Aggregation	10	95%
Transfer Out	15	95%
Estimates employee	10	95%
Retirements	5	95%
Deferred Benefits	15	95%
Refunds	5	95%
Deaths	5	95%
Correspondence	10	95%
Other queries to employer	10	95%

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3.4 Employer Responsibilities

Employers will be responsible for the following functions/tasks to be performed/supplied in the manner and timescale set out below.

An employer guide can be found at Annex 2.

Payments of monies due	Monthly contributions – on time by the 22nd of the following month at the latest and the correct amount Capital Sums – on time by the 22nd of the following month at the latest and the correct amount Single payments of contributions - on time by the 22nd of the following month at the latest and the correct amount AVC contributions – to be paid to the AVC provider on time by the 22nd of the following month at the latest and the correct amount
Submission of year end return	Returns must be submitted each month from 1st April 2023 If you are unable to submit your return by month-end, LPPA and Brent Pensions should be informed of any delay, the reasoning and the likely time frame that you can provide the return
Monthly errors Examples of end of year errors • A missing joiner Form • A missing leaver Form • A missing change of hours • A missing notification of absence • Return from absence • Missing additional contributions • Significantly low/high pensionable remuneration compared to the previous year with no explanation as to the reason	Respond to errors within 10 working days of notification If you are unable to respond in ten working days, inform LPPA of the likely time frame that you can respond in and advise Brent Pensions of the delay

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Response to other queries raised (e.g. by the LPPA Pensions Services or Brent Pensions teams) There are times where LPPA may need to confirm with you that a member's record is correct before issuing them with a benefit calculation. It is these types of queries that we are referring to	10 working days from notification by LPPA or Brent Pensions If unable to respond in 2 weeks, then inform LPPA of the likely timeframe that you can respond in and advise Brent Pensions of the delay
On-line access **Employer LPPA portal "PensionPoint"**	Use of online Forms for all relevant tasks
Submission of joiners/leavers	Notification of joiners within 1 month of joining the scheme Notification of leavers within 1 month of leaving the scheme Notification of retirement within1 month prior to the last day of service
Notification of other changes during employment	Relevant changes e.g. change of hours, absence notification online within 1 month of the event
Correct admission of members into the Fund	You must ensure that you are correctly admitting members into the "Fund"
Up to date discretions policies in place	Discretionary policies to be in place and up to date
Customer Relationship Management contacts	LPPA and Brent Pensions to be notified of contact change or new contact within 1 month via the employers contact form

3.5 Notes to Employer Responsibilities

3.5.1 The employer will nominate a person to act as the 'employer representative' and Brent Pension Fund's primary contact. The employer will ensure that changes of nominated person are notified to Brent Pension Fund immediately.

3.5.2 Great care must be taken to avoid breaking The Occupational Pension Schemes (Disclosure of Information) Regulations 1996. For example, where a retirement takes place before age 65, leaver notification must be received by Brent Pension Fund no later

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than one month after the date of retirement. The above timeframes therefore to allow us to ensure compliance with the Disclosure Regulations in relation to all scheme member matters.

3.5.3 Employers will provide LPPA with a monthly data return. The return must be balanced by the employer against the employee and employer contribution payments made for that financial year.

*Please note that in the year of the Triennial Valuation, this date may need to be brought forward. Any such change will be notified in advance to your nominated person.

3.5.4 Under the Pensions Act, the Pensions Regulator may be notified if contributions are not received in accordance with the regulators code of practice, as described above.

3.5.5 It is important that Employers ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes. There is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

3.5.6 The Fund in coordination with LPPA will keep stakeholders informed of new developments by sending emails and newsletters, and by providing training, forums and workshops for Employers when new Regulations are implemented or are under consideration.

4. Staff Charging Schedule

The Fund's staffing charges for work over and above the responsibilities of the administering authority as at July 2023.

VAT is charged on all applicable items.

Staffing level	Charge per day excluding VAT	Charge per hour excluding VAT
Admin Staff	£459.00	£65.00
Team Leader	£795.00	£113.00
Specialist	£850.00	£121.00
Manager	£1,175.00	£168.00
Senior Manager	£1,715.00	£245.00
Director	£2,021.00	£288.00

5. Pensions Administration Strategy - Charging

5.1 Why we need to charge

Whilst the vast majority of employers do provide accurate scheme data on time and process member pension events such as joiners and leavers, there remains a small cohort of employers who sometimes do not do so. The Pension Regulator is insistent that all employers comply with their legal duties and for the "Fund" to have in place a mechanism to impose a levy on employers who fail to do this. Following The Pension Regulator's guidance the "Fund" has incorporated levies for non-compliance of these duties.

5.2 Circumstances on when we would charge

The "Fund" has not set out to arbitrarily impose levies on employers for every minor infraction an employer makes in regards to providing scheme data and processing member's events. The aim

is for all employers to work together with the "Fund" and our pension administrator to comply with their legal duties. The service level agreement sets out the timeframes on how long particular functions should be completed by. The "Fund" recognises that there are times when this will not be met or be possible and it is not the Funds intention to automatically levy an employer for this, however employers are expected to remedy matters as soon as is practicable. Should it be the case that an employer persistently takes no regard of the Funds request to comply with their legal duties, and does not work with the Fund to overcome these shortcomings, then imposing a Levy on an employer would be considered (please note that it is the Funds aim is to actively engage with employers to provide them with support to bring them into line with meeting their legal duties before imposing a levy).

5.3 Monitoring after a Levy has been made on an employer

Should it be the case that the "Fund" has imposed a levy on an employer, then that employer will be encouraged and supported to meet its legal duties. Their performance will be monitored and if they are complying with and continue to comply with their legal duties, then consideration will be made by the "Fund" to refund the Levy imposed on them by the "Fund".

6. Fees – Annex 1

As a last resort and after trying to assist the employer with support or training, the "Fund" reserves to right to levy a fee on an employer whose performance consistently falls short of the standards set out in this document.

Activities	Fees excluding VAT
Late payment of monthly contributions - electronically after 22th Calendar month following deduction and 19th for cheques (Required by law)	£70 plus interest calculated on a daily basis
Monthly Contributions – non provision of the correct schedule of payments in stipulated format and accompanying the respective contribution payment within stated timelines	£70 per occasion
Change Notification – failure to notify administrators of a change to a member's working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absent without permission) – within 1 month of the change of circumstances	£70 per occasion
Month End Data – failure to provide month end data by 10th of the month following payroll	£70 per occasion
Month End Data Queries – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale	£70 initial fee then £30 for every month the information remains outstanding
New Starter - failure to notify the administrator of a new starter within 1 month of joining the scheme	£70 initial fee then £30 for every month the information remains outstanding
Leaver – failure to notify the administrator of any leaver within 1 month of leaving the scheme	£70 initial fee then £30 for every month the information remains outstanding

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Retirees – failure to notify the administrators when a scheme member is due to retire within 1 month before the retirement date	£70 initial fee then £30 for every month the information remains outstanding
Late payment of pension benefits – if due to an employer's failure to notify the administrator of a scheme members retirement, interest becomes payable on any lump sum paid. The administrator will recharge the total interest paid to the employer	Interest charged in accordance with regulation 44 of the LGPS administration regulations Charged at Bank of England Base rate plus 1%
Change of employer contact details - The "Fund" not notified of contact change or new contact within 1 month of alteration	£70 per occasion

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Appendix 1 - Regulation Extract

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

Pension administration strategy

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("it's pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are-
(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
(i) the setting of performance targets,
(ii) the making of agreements about levels of performance and associated matters, or
(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—
(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
(ii such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—
(a) keep its pension administration strategy under review; and
(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—
(a) its pension administration strategy; and
(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Payment by Scheme employers to administering authorities

69. —(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine-

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16(contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—
(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995(41); and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)(42).

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing-

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in sub-paragraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating-
(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

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Background

(A) The Administering Authority is an administering authority. It administers and maintains the Fund in accordance with the Regulations.

(B) The Employer is a transferee admission body listed in Schedule 2 of the Administration Regulations.

(C) In accordance with Regulation 59 of the Administration Regulations, the Administering Authority has prepared the Pension Administration Strategy Statement setting out amongst other things the Service Level Agreement.

(D) In preparing the Pension Administration Strategy Statement, the Administering Authority consulted the employing authorities in the Fund (including the Employer), the Pensions Board, and such other persons it considered appropriate.

The Administering Authority published the Pension Administration Strategy Statement and sent a copy of it to each of the employing authorities in the Fund (including the Employer) and to the Secretary of State.

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(E) The Administering Authority will keep the Pension Administration Strategy Statement (including the Service Level Agreement) under review and will make such revisions as are appropriate following any material change in its policies in relation to any of the matters contained in the Pension Administration Strategy Statement.

(F) The Administering Authority and the Employer have agreed to enter into this Agreement to document their agreement to comply with and be bound by the terms of the Service Level Agreement.

Now it is agreed as follows:

1. Interpretation

1.1 The following expressions have the following meanings:

"1997 Regulations"	the Local Government Pension Scheme Regulations 1997 (to the extent applicable by reason of the Transitional Regulations)
"Administration Regulations"	The Local Government Pension scheme Regulations 2013 in force now or as amended and in force at any future date and the Local Government Pension Scheme (Transitional Protection) Regulations 2014
"Core Scheme Functions"	the functions identified in the Service Level Agreement as being core Scheme functions
"Fund"	the Pension Fund

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"Pension Administration Strategy Statement"	the Administering Authority's statement prepared in accordance with Regulation 59 of the Administration Regulations as revised from time to time in accordance with that Regulation
"Regulations"	The Local Government Pension scheme Regulations 2013 in force now or as amended and in force at any future date and the Local Government Pension Scheme (Transitional Protection) Regulations 2014 and previous regulations as they still have effect in part.
"Scheme"	the Local Government Pension Scheme established by the Regulations made by the Secretary of State under sections 7 and 12 of the Superannuation Act 1972
"Service Level Agreement"	the section of the Pensions Administration Strategy Statement setting out the levels of performance which the Administering Authority and its employing authorities are expected to achieve in carrying out their Scheme functions including performance targets. The Service Level agreement may be revised from time to time as part of the Pensions Administration Strategy Statement. A copy of the Service Level Agreement current as at the date of this Agreement is included in the documentation
"Transitional Regulations"	the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 & 2014

1.2 Expressions have the same meaning as in the Regulations, except where the context otherwise requires.

1.3 Any reference in the Agreement to any law or piece of legislation shall include any subsequent amendment to it and any ancillary legislation made under it.

2. The Service Level Agreement

2.1 With effect from the date of this Agreement, the Administering Authority and the Employer agree to use their best endeavours to comply with and be bound by the terms of the Service Level Agreement.

2.2 In consideration of this Agreement the Administering Authority will charge the Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.

2.3 If in the opinion of the Administering Authority the Employer has not complied with the terms of the Service Level Agreement the Administering Authority may charge the Employer a higher contribution towards the cost of the administration of the Fund.

2.4 When considering whether to charge the Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Administering Authority shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.

2.5 Clause 2.3 shall not affect the Administering Authority's ability under Regulation 70 of the Administration Regulations to give written notice to the Employer where it has incurred additional costs which should be recovered from the Employer because of the Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.

2.6 The Employer acknowledges that the Service Level Agreement may be revised from time to time by the

Administering Authority in accordance with Regulation 59 of the Administration Regulations and that the Employer will comply with and be bound by the terms of the revised Service Level Agreement.

3. Other Charges

3.1 The Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.

3.2 Where the Employer requests that the Administering Authority provides services beyond these functions the Administering Authority reserves the right to charge the Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time with the Administering Authority and the Employer.

4. Notices

Any notices under this Agreement shall be in writing and shall be served by sending the same by first class post, fax, facsimile or by hand or leaving the same at the headquarter address of the Employer or the headquarter address of the Administering Authority.

5. Waiver

Failure or neglect by the Administering Authority to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's rights nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's rights to take subsequent action.

6. More than one Counterpart

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

7. Laws

This Agreement will be governed by and interpreted in accordance with the laws of England and Wales.

Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

Appendix 2 – Employer Guide

Employer Guide

What the "Fund" and the LPPA needs from you to administer your employees' pensions, with accuracy and efficiency.

Clean and accurate data

This means that we need to know details of all changes to your employees regarding their pension. This

includes:

- Joining the scheme
- Changing their working hours and/or working weeks
- Any unpaid leave (i.e. authorised absences, whether maternity/paternity/adoption leave, or ordinary unpaid leave)
- Any unauthorised absences (these are automatically entered as breaks in service as the member is not allowed to repay pension contributions for that period)

- Any strike periods
- Any reductions in pay
- Leaving the scheme (whether opting out, normal leaver or retiring). The

above changes can be notified by completing the relevant online Form.

We also need accurate data for the monthly returns. This enables us to identify any missing data in our records quickly, thus enabling accurate valuation of the fund and thereby keeping employer contribution rates down.

Brief Summaries of Actions needed

Joining the scheme

The online Joining Form must be completed with the following information:

- date from which the member first had contributions deducted
- the contribution rate
- the weekly hours the member works, and, if appropriate, the weeks per year that they work
- what pensionable pay the member receives, and, if appropriate, the full-time equivalent pensionable pay
- confirmation that the member has a contract of employment that lasts at least three months.

Change of hours

The online Change of Hours Form must be completed when you need to inform the LPPA that a member has changed their weekly working hours, their working weeks per year, or both. We will need to know the hours (and/or weeks) they are changing to, and also the hours (and/or weeks) that they have changed from to enable us to check that our records are completely up to date.

Sick Leave

The LPPA does not need to be informed if a member of the scheme is placed on reduced pay, or no pay due to sick leave.

Unauthorised Absence

It is not common for an employee to have a leave of absence that is not authorised by their employer. However, if a member does have such a period, the LPPA need to be informed as this period will not count towards the calculation of their benefits and they will not have the opportunity to repay the contributions for that period. Therefore, please complete the Unauthorised Absence online Form if such a situation occurs.

Unpaid leave (Including maternity/paternity/adoption leave)

Any period of ordinary unpaid leave (or leave on reduced pay) that lasts less than 31 days does not need to be notified to LPPA, although the member must have contributions for that period deducted from his pay on his return, and employer contributions must also be paid.

If the ordinary unpaid leave (or leave on reduced pay) lasts 31 days or more, then the LPPA must be informed. The online Notification of Absence and Return from Absence Forms must be completed.

A strike period must be treated differently to ordinary unpaid leave, but it is not classified as unauthorised absence. The online Notification of Absence and Return from Absence Forms must be completed.

A member who goes on parental leaves must continue to have contributions deducted, but on the pay that they are actually receiving (including any statutory entitlement), not the pay they would have received, but for being on leave.

Once the member goes onto unpaid parental leave, the online Notification of Absence Form must be completed.

The LPPA do not need to be informed if a member has a period of leave to enable them to perform jury service, but the contributions for that period must be paid by both employer and employee and must be based upon the pay that the member would have received if not performing jury service.

Leaving the scheme

It is essential that the LPPA receives accurate, timely information regarding a member's pay when they cease to contribute to the pension scheme. When a member leaves the scheme, please complete the online Leaver Form. The appropriate online Ill Health Declaration Form, must also be completed if the member is retiring on the grounds of ill-health.

A member who opts-out of the scheme with less than three months membership must have their pension contributions refunded to them and will be treated as never having been in the scheme. In such cases, please complete the online Leaver Form.

If a member leaves your employment with less than three months membership, their contributions will be refunded to them. Please complete the online Leaver Form.

Monthly remittance/end of year returns

Each month a schedule of contributions paid must be completed with details of:

- Total pensionable remuneration against which contributions calculated
- The total employees' contributions
- The total employer's contributions
- Any cash payments that may be due from the employer

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b. Employer Numbers Table

The table below shows the Brent employers and their members' details as at 31 March 2023

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
London Borough of Brent	2,479	6,089	5,207	882	883
Ark Elvin Academy	51	27	10	2	22
Age Concern	0	2	5	0	0
MENCAP	0	5	2	0	0
Roundwood School and Community Centre	6	0	0	0	0
Wettons (Sth Ground Maint.)	0	0	3	0	0
Wettons (Nth Ground Maint.)	0	2	4	1	0
Ark Academy	81	91	5	1	34
Torah Temimah Primary School	0	0	1	0	0
Goldsborough H&N SVC LTD	0	13	99	5	0
Churchill Contracts (BACES)	0	1	0	0	0
Churchill Contracts (Day Cent)	0	4	1	0	0
Capital City Academy	52	64	16	4	7
College of North West London	0	3	0	0	0
NWL Jewish Day School	1	10	5	0	0
Newman Catholic College	47	50	22	2	17
Kilburn Park School	11	29	4	0	5
Malorees Junior School	18	10	7	1	6
St Joseph's RC Primary School	43	34	22	4	12
Preston Manor High School	0	32	16	2	1
St Gregory's RC School	0	5	13	0	0
Copland Community School	1	36	28	5	0
Convent of Jesus & Mary Inf. Sch.	17	55	18	2	7
Claremont High School	0	17	11	1	1
Alperton High School	0	31	22	1	0
Oakington Manor (not in use)	0	10	10	1	5
John Kelly Girls Tech College	0	5	7	0	0
John Kelly Boys Tech College	0	14	3	1	1
Kingsbury High School	0	56	48	3	7
Queens Park Community School	0	21	11	2	4
National Autistic Society (NAS)	2	135	126	6	3
Kilburn Skills	0	3	9	2	0
Sudbury Neighbourhood Centre	1	7	21	0	3
Brent Samaritans	0	0	1	0	0
Brent Crossroads	0	0	2	0	0
Pakistani Workers Association	0	0	1	1	0
Brent Association Disabled Peo.	0	1	2	0	0
Harlesden Young Mums Project	0	0	2	0	0
WISE	0	0	0	1	0
Sudbury Primary School (Acad.)	68	36	9	0	17
LEAP	4	5	1	0	0
Childcare	0	0	2	0	0
Carequest	0	0	1	0	0
Islamia Primary School	40	36	5	0	5

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Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Claremont High School Academy	75	29	7	0	14
Brent Care at Home LTD	0	7	70	9	0
JFS School	69	58	14	0	17
Brent Housing Partnership LTD	0	6	4	0	3
Wetton Clean SVC (Nth Wembley)	0	0	3	0	0
Wetton Clean SVC (Sth Wembley)	0	1	1	0	0
Jarvis Workspace FM LTD	0	1	1	0	0
Wembley High Technology College	63	23	4	1	30
Sanctuary Housing Association	1	1	0	0	0
Alperton Community School	87	43	17	2	25
Furness Primary School (Acad.)	37	18	4	0	3
Oakington Manor Primary School	53	35	4	0	15
Queens Park Community School	75	22	11	0	16
The Crest Boys Academy	0	13	7	1	0
The Crest Girls Academy	0	11	3	0	1
Opt Out - No Liability	0	1	0	0	0
Xerox (UK) Limited	0	4	4	0	0
Alpeona HSG Ltd	0	1	0	0	0
Thames Reach Housing Ass	0	17	0	0	0
Sudbury Primary School	22	16	6	0	9
Mount Stewart JM School	29	21	4	0	12
Braintcroft JM School	69	34	7	0	7
Brentfield JM School	14	15	4	0	3
Carlton Vale Infant School	14	11	2	0	2
Christchurch Brond COFE School	39	13	7	0	8
Elsley JM School	0	1	1	0	0
Gladstone Park Primary School	49	49	4	0	9
Kingsbury Green JM School	19	4	9	0	2
St Margaret's Clitheroe School	16	6	0	0	1
College Green Nursery	25	10	4	0	0
Wykeham JM Primary School	0	0	0	1	0
Vernon House	40	45	13	0	20
Leopold School	38	25	2	0	1
St Andrew & St Francis (Acad.)	26	13	12	3	0
Veolia	1	1	1	0	0
Veolia (Ground Maintenance)	1	1	0	0	0
Conway Aecom Ltd	8	16	4	0	2
Barnardos	24	7	1	0	17
Michaela Community School Acad.	103	72	11	0	22
Preston Manor High School	41	30	5	0	14
Ark Franklin Primary School	72	23	5	1	5
St Claudine's Catholic School for Girls	57	31	12	1	13
Gladstone Park Primary School	118	41	15	1	24
Kingsbury High School (Acad.)	53	15	4	0	7
The Crest Academy	64	19	0	0	18

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Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Woodfield School Academy	28	0	5	1	1
NWL Jewish Day School (Acad.)	41	9	6	0	3
St Gregory's RC School (Acad.)	1	2	0	0	0
Taylor Shaw	157	49	6	1	36
Manor School (Academy)	2	1	0	0	0
Caterlink Ltd	23	23	2	0	3
Anson Primary School	70	39	1	0	7
Barham Primary School	30	30	3	0	3
Byron Court Primary School	62	17	0	0	4
Chalkhill Primary School	21	5	2	0	2
Curzon Crescent Children's Cen	23	13	2	0	5
Donnington Primary School	21	10	2	0	2
Fawood Children's Centre	56	16	4	4	6
Fryent Primary School	32	4	2	0	2
Granville Children's Centre	41	21	3	0	4
John Keeble CofE School	1	4	0	0	0
Lyon Park Infants School	47	18	1	0	2
Lyon Park Juniors School	16	20	3	0	3
Malorees Infant	46	33	3	0	3
Michael Sobell Sinai School	70	40	2	0	22
Mitchell Brook Primary School	16	18	4	0	5
Mora Primary School	26	16	0	0	3
Mount Stewart Infants	19	16	4	0	1
Newfield School	22	11	2	0	2
Northview Primary school	27	10	3	0	3
Oliver Goldsmith	18	4	5	0	1
Our Lady Of Grace RC Infants	16	2	1	0	1
Our Lady Of Grace RC Juniors	22	7	1	0	2
Our Lady of Lourdes	47	27	3	0	5
Park Lane Primary School	13	12	2	0	3
Phoenix Arch School(Vernon House School)	49	51	1	1	9
Preston Park Primary	25	16	1	0	7
Princess Frederica Ce Va Primary School	42	14	5	0	4
Roe Green Infant School	33	11	2	0	3
Roe Green Junior School	58	29	2	0	4
Salusbury Primary Sch	15	11	6	0	1
St Mary Magdalenes School	22	10	1	0	4
St Mary's CofE School	17	14	1	0	4
St Mary's RC School	40	10	1	0	0
St Robert Southwell Catholic School	36	16	3	0	6
Stonebridge Primary School	155	69	11	0	17
The Village School	51	15	4	2	3
Uxendon Manor School	73	23	5	0	6
Wembley Primary School	48	4	4	0	7

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Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Harlesden Primary School	20	2	3	0	3
Compass Learning Partnership	0	0	0	3	0
Previous Service	14	7	2	0	3
London Borough-Non Member EDM	17	8	2	0	0
St Joseph's Infant School	0	7	0	0	0
St Joseph's Junior School	1	0	0	0	0
Edwards & Blake	5	0	2	0	0
FM Conway	0	1	0	0	0
DB Services	2	0	0	0	0
Total	**6,061**	**8,544**	**6,198**	**962**	**1,575**

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- The payment method and date.

The completed schedule of contributions paid and the contributions must be received by the Fund within 21 days of the end of the month, or 19 days for cheques, within which they were deducted from the employees' pay.

At the end of each month, a full submission of contributions must be submitted by each employer.

Please note that late submission of returns will result in delayed annual benefit statements being sent to your employees, and could result in the Fund being incorrectly valued, leading to an increase in your employer contribution rate.

Using online Forms

To fully co-operate with the terms of the Pension Administration Strategy, online Forms must be used. To enable you to do this, a member of staff must be nominated to be your "Site Administrator" who will be able to/responsible for:

- Set up new users and determine their access levels
- Reset usernames and password
- Unlock locked accounts
- Disable user accounts
- Keeping your organisation's contact details up to date.

In this way, you can retain control over who has access to the site and is able to input the information required. The Site Administrator will also be our first contact for any news on updates to the website.

Nothing in this guide can override the information given in the Employer's Guide, the provisions of the Pension Regulations, or related legislation. The guide was up-to-date at the time of publication in 2023. It is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over a member's pension benefits, the appropriate legislation will prevail as this guide does not confer any contractual or statutory rights and is provided for information purposes only. The Fund will not be held responsible for any loss, damage or inconvenience caused as a result of any inaccuracy or error.

Online Forms

Online Forms must be completed and the details immediately forwarded to the LPPA to enter onto the relevant LPPA systems. Any errors or inconsistencies in the data can be quickly identified and can be remedied.

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c. Funding Strategy Statement

London Borough of Brent Pension Fund Funding Strategy Statement February 2023

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London Borough of Brent Pension Fund – Funding Strategy Statement

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Appendices

Appendix A – The Regulatory Framework

Appendix B – Roles and responsibilities

Appendix C – Risks and controls

Appendix D – Actuarial assumptions

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1 Welcome to the fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for London Borough of Brent pension fund.

The pension fund is administered by Brent Council, known as the administering authority. Brent council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 20th February 2023.

There's a regulatory requirement for Brent Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact sawan.shah@brent.gov.uk

1.1 What is the London Borough of Brent pension fund?

The Brent pension fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including the council and academies. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers such as town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme. The Brent fund has no such employers currently.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers such as charities and housing associations, who have a "community of interest" with another scheme employer.

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Others may be called **transferee admission bodies** (TABs), typically contractors which provide outsourced services like cleaning or catering to a scheduled body.

These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at within the Fund's annual report at brent.gov.uk/pensions.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Brent pension fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations. Employer

contributions are made up of two elements:

- **the primary contribution rate** – contributions payable towards future benefits (including an allowance for the fund's expenses)
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The fund permits the prepayment of employer contributions in specific circumstances. The fund's policy is to only permit prepayment of Secondary contributions which would otherwise be expressed in monetary (not % of payroll) amounts; the administering authority must be consulted in advance regarding a proposal to prepay, and it may seek assurance that the employer has taken advice and understands the potential risks involved.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer		Scheduled bodies		CABs		TABs*
Sub-type	**Council**	**Academies converted from LEA**	**Free schools**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Contractor exit basis, assuming fixed-term contract in the fund
Minimum likelihood of success	70%	70%	70%	75%	80%	70%
Maximum time horizon	20 years	20 years	20 years	15 years	Average future working lifetime	Same as the letting employer
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary rate	% of payroll	% of payroll	% of payroll	Monetary amount	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority			Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	None

** Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. If this isn't appropriate, contribution increases or decreases may be phased.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for certain employers as follows:

Table 1: current stabilisation approach

Type of employer	Council	Academy converted from LEA
Maximum contribution increase per year	+1.5% of pay	+1.5% of pay
Maximum contribution decrease per year	-1.5% of pay	-1.5% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the administering authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

2.5 What is pooling?

The administering authority operates contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority. CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

2.6 What are the current contribution pools?

- LEA schools generally pool with the Council, although there may be exceptions for specialist or independent schools.
- Academy schools may be pooled within their Multi Academy Trust (if this applies).
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

2.7 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in paragraph 2.1 above.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread at administering authority discretion.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

Employers must tell the administering authority if the policy ends or if there are any changes to coverage or premium.

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4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 4).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. Whilst academies are not pooled, their contributions may be set on a pooled basis as follows:

Academy type	Primary contribution rate	Secondary contribution rate
Converting from LEA	Calculated using the current funding strategy (set out in section 2) and the transferring membership	Balance so that total rate equals Council rate each year
Free school	Calculated using the current funding strategy (set out in section 2) and the initial membership.	

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body such as the council or an academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement were to end early, for example if the admission body became insolvent or went out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

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7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice; however this is considered on a case-by-case basis. If such a notice is issued, then the cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is only a guarantor of last resort, this will have no effect on the cessation valuation basis applied. If the guarantee is more extensive, the cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's liability, and are deducted from the cessation surplus or added to the cessation deficit. The cessation policy is available from the administering authority.

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7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is available from the administering authority.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement (DDA), it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is available from the administering authority.

7.5 What if an employer has no active members?

If an employer leaves the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at the formal valuation

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers on a pro-rata basis.

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8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

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Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included issuing a draft version to participating employers and attending an open employers' forum.

A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the fund's annual report and accounts. Copies are freely available on request and by:

- publishing on the administering authority's website
- sending copies to each employer
- including the full statement or summary in the annual report
- adding the FSS to the agenda of pension fund employers' forum
- sending copies to members of the local pension board
- sending copies to employee/pensioner representatives
- making copies freely available on request.

The FSS is published at www.brent.gov.uk/pensions.

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A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pension Fund Sub-Committee and included in the Sub-Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at www.brent.gov.uk/pensions.

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Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the fund against employer default

9 works with the fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary's Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

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5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

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Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out here. Details of the key fund-specific risks and controls are below.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

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Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the fund	The fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the actuary calculates the added cost spread pro-rata among all employers.
Effect of possible asset underperformance as a result of climate change	Covered in the fund's Investment Strategy Statement.

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The fund actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non-ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases. For other employers, review of contributions is permitted in general between valuations and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

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C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The administering authority considers all consultation papers issued by the Government and comments where appropriate. Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued as at 31 March 2022 in line with the expected regulations, reflecting an underpin as directed by DLUHC. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis.	Take advice from fund actuary on position of fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The administering authority considers all consultation papers issued by the government and comments where appropriate. Take advice from fund actuary on impact of changes on the fund and amend strategy as appropriate.

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C5 Governance risks

Risk	Summary of Control Mechanisms
Administering authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The administering authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The administering authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving elected members, and recorded appropriately.

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Risk	Summary of Control Mechanisms
	Actuarial advice is subject to professional requirements such as peer review.
Administering authority failing to commission the Fund Actuary to carry out a termination valuation for a departing admission body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. CABs' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The administering authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: • Seeking a funding guarantee from another scheme employer, or external body, where-ever possible. • Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. • Vetting prospective employers before admission. • Where permitted under the regulations requiring a bond to protect the fund from various risks. • Requiring new admission bodies to have a guarantor. • Reviewing bond or guarantor arrangements at regular intervals. • Reviewing contributions well ahead of cessation if thought appropriate.
An employer ceasing to exist resulting in an exit credit being payable	The administering authority regularly monitors admission bodies coming up to cessation The administering authority invests in liquid assets to ensure that exit credits can be paid when required.

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C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

London Borough of Brent Pension Fund

Type of employer	Assessment	Monitoring
Council	Tax-raising or government-backed, no individual assessment required	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	As part of requirement for a bond including its relevant coverage and amount	Periodically, for instance updating bond requirements

C7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results (as expected) but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the Council makes up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The fund's specific policies in this area are covered in its Investment Strategy Statement.

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Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns												
		Fixed Interest Gilts (long)	UK Equity	Property	Emerging Markets Equity	Listed Infrastructure Equity	Diversified Growth Fund (high equity beta)	Diversified Growth Fund (medium equity beta)	Developed World Equity	Multi Asset Credit (sub inv grade)	Global High Yield Debt	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	-1.5%	-0.4%	-0.6%	-2.5%	-1.1%	1.1%	1.4%	-0.6%	1.7%	0.6%	1.6%	-1.7%	1.1%
	50th %'ile	0.7%	5.7%	4.4%	5.8%	4.9%	5.4%	4.3%	5.6%	3.5%	3.4%	3.3%	-0.5%	2.5%
	84th %'ile	2.8%	11.6%	9.5%	14.4%	10.9%	9.5%	7.1%	11.6%	5.2%	5.8%	4.9%	0.7%	4.3%
20 years	16th %'ile	-0.2%	1.7%	1.4%	0.1%	1.2%	2.8%	2.5%	1.6%	2.8%	2.1%	1.2%	-0.7%	1.3%
	50th %'ile	0.9%	6.2%	5.0%	6.3%	5.6%	6.0%	4.9%	6.1%	4.4%	4.2%	2.7%	1.1%	3.2%
	84th %'ile	2.0%	10.6%	8.9%	12.8%	10.1%	9.4%	7.4%	10.8%	6.0%	6.4%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.2%	3.2%	2.6%	2.1%	2.6%	4.0%	3.3%	3.2%	3.6%	3.1%	0.9%	-0.6%	1.1%
	50th %'ile	1.9%	6.7%	5.5%	6.8%	6.1%	6.6%	5.5%	6.6%	5.3%	5.1%	2.2%	1.3%	3.3%
	84th %'ile	2.8%	10.2%	8.8%	11.7%	9.8%	9.4%	7.9%	10.2%	7.1%	7.2%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	8%	18%	15%	26%	18%	13%	8%	18%	6%	8%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy. The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate. Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	1.8%
Low-risk exit basis	Community admission bodies closed to new entrants	0.0%
Contractor exit basis	Transferee admission bodies	Consistent with the margin used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.3% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 70% likelihood that the fund's assets will future investment returns of 4.3% p.a. over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.3% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by
+0.5% to reflect the difference between the population-wide data used in the CMI and

LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long- term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

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Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.17	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.2	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.24	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0.00	11.83	8.87	0.00	0.00

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Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund? **Low-risk exit basis**

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin consistent with that set to allocate assets to the employer on joining the fund.

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d. Investment Strategy Statement

Investment Strategy Statement

1. Introduction and background

This is the Investment Strategy Statement ("ISS") of the London Borough of Brent Pension Fund ("the Fund"), which is administered by Brent Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee on 4 October 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement dated February 2023.

The Committee has agreed the following long-term target investment strategy for the Fund. It will be necessary for the Fund to allow time for these arrangements to take effect, hence the interim target allocation shown below.

Asset class	Interim target allocation (%)	Long-term target allocation (%)
Global equities	40.0	40.0
UK equities	5.0	5.0
Emerging markets equities	5.0	5.0
Private equity	2.5	-
Total Growth	**52.5**	**50.0**
Property	2.5	10.0
Infrastructure	5.0	15.0
Private debt	5.0	5.0
Diversified growth	20.0	5.0
Total Income	**32.5**	**35.0**
Multi-asset credit	5.0	5.0

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Government gilts	10.0	10.0
Total Protection	**15.0**	**15.0**
Total	**100.0**	**100.0**

2. The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

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

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

In 2023, the Fund carried out an asset-liability modelling exercise in conjunction with the 2022 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of alternative investment strategies were assessed. The implications for the future evolution of the Fund were considered under a wide range of different scenarios.

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

The Committee assessed the likelihood of achieving their long-term funding target – which was defined at that time as achieving and maintaining a fully funded position in 20 years' time.

A summary of the expected returns and volatility for each asset class is included later in this statement. In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Environmental, Social and Governance (ESG) factors

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The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, accepting that given the nature of some of the underlying investments, it may take the Fund time to move towards the target allocation.

The Committee reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Committee and is only made between the Fund's liquid assets. Among the factors taken into account by the Committee in its decisions are:

the materiality of under and overweight positions;

any asset transitions that are already scheduled;

market views on the relative attractiveness of different asset classes;

liquidity and transaction costs; and

the confidence of the Committee in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

To help inform rebalancing decisions, the Committee has set the following upper limits to inform rebalancing:

Asset class	Interim target allocation (%)	Long-term target allocation (%)	Upper limit for rebalancing (%)
Listed equities	50.0	50.0	60.0
Diversified Growth	20.0	5.0	25.0
Multi-asset credit	5.0	5.0	10.0
Government gilts	10.0	10.0	15.0
Cash	0.0	0.0	5.0

3. Investment of money in a wide variety of investments

Asset classes

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

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out on page 125. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of

fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The latest investment strategy review took place in February 2023. At this time the Committee agreed to maintain the current long-term strategic allocation that was agreed following the 2019 actuarial valuation.

The Committee is aware that private market investments take time to invest in, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain its existing 20% target allocation to Diversified Growth Funds, which will be monitored and regularly assessed in in anticipation of its longer-term reduction in size.

The long-term asset class returns assumed within the asset-liability modelling exercise were as follows. These returns reflect financial conditions as at 31 March 2022.

Asset class	Median expected return[1] over 20 years (% p.a.)
UK equities	6.2%
Global equities	6.3%
Emerging markets equities	6.3%
Property	5.0%
Infrastructure	6.5%
Private debt	9.8%
Diversified growth funds	4.9%
Multi-asset credit	6.7%
Government gilts	4.4%
Total Fund	6.0%

At 31 March 2022, the expected volatility[2] of the investment strategy over 1 year was 13.1%. This volatility includes an assumed diversification benefit. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

[1] This indicates that over a 20 year period, there is a 50% chance that the actual annualised return will be higher, and a 50% chance that the actual annualised return will be lower, than the median expected return.

[2] A volatility of 13.1% indicates that over 1 year there is a 2/3rds chance that the actual return over this period will be within +/- 13.1% of the expected return assessed over the same 1 year period.

Types of investment	Maximum investment by the Fund (% of assets)
Contributions in any single partnership	5%
Contributions invested in partnerships	30%
Cash deposits	10%
Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index-tracking strategies	15%
Total investment in illiquid assets[3]	30%

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the index-tracking funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

4. The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

Key funding risks considered include:

Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways.

[3] This represents a maximum at the point of investment. The impact of market volatility will be assessed separately.

- As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The results from the analysis carried out in 2023 highlighted the Fund has a greater than 75% probability of being fully funded in 2041. The downside risk measure shows that the funding level in the average of the worst 5% of outcomes projected to 2028 is 38%. This analysis reflects the current investment strategy and level of agreed contributions and is based on financial conditions as at 31 March 2022. This analysis will be revisited as part of the 2025 valuation process.

- The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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

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

Asset risk

Market risk – The risk that the market value of the Fund's assets falls.

Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place re-balancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

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By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

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

Other provider risk

Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.

Credit default – The possibility of default of a counterparty in meeting its obligations.

Stock-lending – The possibility of default and loss of economic rights to Fund assets.

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

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

5. Approach to pooling investments, including use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") will operate was set out in the July 2016 submission to Government.

Assets to be invested in the London CIV Pool

The Fund's intention is to invest its assets through the Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

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At the time of preparing this statement the Fund has already invested the following assets via the Pool. Note this includes investments in index-tracking equity funds with BlackRock and LGIM, which are commonly regarded as pooled assets even though they sit outside of the Pool.

Asset class	Manager	% of total Fund assets[4]
Global equities (index-tracking)	LGIM	43.7
Global equities (index-tracking)	BlackRock	2.5
UK equities (index-tracking)	LGIM	6.3
Emerging market equities	LCIV (JP Morgan)	3.9
Diversified Growth	LCIV (Baillie Gifford)	11.1
Diversified Growth	LCIV (Ruffer)	8.8
Infrastructure	LCIV multi-manager	3.3
Private debt	LCIV multi-manager	3.1
Multi-asset credit	LCIV multi-manager	3.7
Gilts	BlackRock	4.9
Total		91.3

At the time of preparing this statement the Fund has elected not to invest the following assets via the London CIV Pool.

Asset class	Manager	% of Fund assets[5]	Reason for not investing via the Pool
Private equity	Capital Dynamics	2.2	In wind down
Infrastructure	Capital Dynamics	0.2	In wind down
Infrastructure	Alinda	1.5	In wind down
Property	Fidelity	1.2	No equivalent fund available via the Pool
Property	UBS	1.0	No equivalent fund available via the Pool
Total		6.1	

[4] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations shown are subject to rounding.

[5] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations are subject to rounding.

The Fund will consider participating in pooling arrangements for the current and/or future property investment investments if a suitable solution is made available by the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2026.

Structure and governance of the London CIV Pool

The July 2016 submission to Government of the Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS. In the meantime, further information is provided on the London CIV's website (https://londonciv.org.uk/).

6. How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. As a result, the Committee has committed to undertaking a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Once this audit has taken place the Committee intends to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c30% of the Fund's assets sit within the London CIV and this percentage is expected to grow over time.

At this stage, the Committee has not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon exposure.

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Some flexibility may be appropriate to allow the Fund to adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- Ongoing engagement is preferable to divestment
- We must act as responsible owners
- The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

The Fund's investment beliefs can be found in the appendix.

The Committee takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment

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policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

7. The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee considers the Fund's approach to stewardship also as a key area by acting as a responsible and active investor, by commissioning considered voting on the Fund's behalf as shareholders, and by indirectly engaging with investee company management as part of the investment process.

The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on a regular basis.

Engagement

The Committee endorses the Stewardship Code as published by the Financial Reporting Council.

The Committee expects both the London CIV and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

The Committee supports engagement activity that seeks to:

Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment

Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy

Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

Investments made via the London Pool are subject to its Responsible Investment Policy, which is developed in consultation with all of the Pool's partner funds.

For and on behalf of London Borough of Brent Pension Fund Committee

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Appendix – Investment beliefs

Core investment beliefs

Clear and well defined objectives are essential to achieve future success - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

Long term investing provides opportunities for enhancing returns - As a long-term investor it is important that the Fund acts as an asset owner. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

Equities are expected to generate superior long term returns - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However the Committee also recognise that equities can be highly volatile over the short-term.

Diversification reduces the overall volatility of the Fund's asset returns - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

Passive management has a role to play in the Fund's structure - The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

Active management can add value but is not guaranteed – the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

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Private markets can offer opportunities - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.

The choice of benchmark index matters – whilst active managers are expected to take ESG issues in their individual stock selection decisions, it is acknowledged that index-tracking managers will invest in line with the index set out in their mandate. The Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

Rebalancing policies are important – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

Fees and transaction costs matter - The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

Governance "budget" matters – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

The London CIV is the Fund's preferred approach to implementation – the Committee recognises the potential benefits of LGPS pooling. There preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV's investment offering.

ESG-specific beliefs

Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

Ongoing engagement is preferable to divestment – The Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

We must act as responsible owners – As asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the

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Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2°C degrees.

It is important for the Sub-Committee to integrate ESG issues when identifying investment opportunities – we will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a "positive impact" can be considered if they are consistent with the overall objectives of the Fund's investment strategy.

The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making – Investment managers are responsible for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

We will generally avoid investing in the most harmful companies and sectors – we believe we have a duty to consider the wider environmental and social impacts of investments. We believe that we should generally avoid investing in the most harmful companies and sectors.

Disclosure is important – we will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed directly with managers, through involvement in the London CIV and also through membership of the LAPFF. We will also disclose the actions we are taking, including publishing this policy and incorporating our RI policies and approach into the way that we engage and communicate with members.

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LONDON BOROUGH OF BRENT PENSION FUND

MEMBER COMMUNICATIONS STRATEGY

2023

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1. Introduction

This document sets out the communication policy for the London Borough of Brent Pension Fund ("the Fund") and is subject to review every three years or following a material change in policy.

This communication policy is designed to ensure that all key stakeholders are kept informed of developments within the Pension Fund and through the appropriate medium. The aim being to ensure an effective communication process is in place to help maintain the efficient and effective running of the Scheme and deliver better stakeholder and customer outcomes.

The Communications Strategy is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulation 2013. The provision requires the Administering Authority to:

(1) Prepare, Maintain and publish a written statement setting out its policy concerning communications with:
- (a) Members
- (b) Representatives of members
- (c) Prospective members
- (d) Scheme employers

(2) In particular the statement must set out its policy on:
- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication. LPPA is committed to improving accessibility across its online platform and conforms to Level AA of Web Content Accessibility Guidelines.

2. Communications with Scheme Members

Our aims for communicating with our scheme members are:

- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team
- to encourage the use of the pension scheme website and registration to PensionPoint.

Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the Brent Pension Scheme website and Member Self Service
- working with LPPA to ensure communications are relevant and timely

Action	Audience	Media	End of Year Review 2023
Review and update the pension website Pensions Website	All	Web	
Review and update the pension website Pensions Website	All	Web	
Promote PensionPoint	Active and Deferred	Web	
Explore the development of PensionPoint –self-service for pensioner members	Active and Deferred	Web	
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	

The pension scheme will provide the following communications as required, in addition to day-to-day individual communications with members.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Default distribution via website, members can opt out of paperless communications	All
Forms	Web or paper	As required	Available to download or post to home address	All

Annual Benefit Statement	Web or paper if opted out of online statements	Annually	For viewing as required. Members are informed of availability via personal email, email to employers or intranet	Active and deferred
Road shows/ Workshops	Face to face	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1st pension payment and every April and May. Payslip sent if a variation in £3 or more	Post to home address	Pensioner
Notice of Pensions Increase	Paper / Electronic	Annually in April	Post to home address for those who opted out of e-communication and upload to the Pensions website	Pensioner
Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Published annually	For viewing as required.	All

Explanation of communications

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters, reports and accounts), factsheets, links to related sites including PensionPoint and contact information. We continue to review and develop this site in partnership with LPPA.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Newsletters - Pensions Increase newsletters are sent annually in April to advise pensioner members of the increase to their pension.

Forms – Many of the required LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and expression of wish form.

Annual Benefit Statements – Members can opt out of the online service and elect to receive a paper copy sent to their home address.
Active members receive their statements in August. These include the current value of benefits as well as the projected benefits to their normal retirement date. Associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant.
Deferred members receive their statements at the end of April. These show the current value of the pension benefits, associated death benefits and details of any individuals the member has nominated to receive the lump sum death grant.

Pensioner pay slips – The payslips are sent when a member receives their first pension payment. They are posted to the pensioner's home address.

Internal Disputes Resolution Procedure – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPP pension administration team or the Brent Pensions Team.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme-based information such as the number of scheme members and scheme employers. This is published and available on the Brent Pensions website.

3. Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA administration team

Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media	End of Year Review 2023
Ensure pension forms are included in starter packs	New employees	Electronic	
Review and update the pension website	All	Web	
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Web	On commencing employment	Via employers	New employees
Pensions Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pensions Joiner Option Form – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including PensionPoint and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme-based information such as the number of scheme members and scheme employers. This is published and available on the pensions website.

4. Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding their funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers

Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of PensionPoint, the LPP's online submission portal
- on-going promotion of the employer section of the Brent pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2023
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face/ Online	
Review and update the pension website	Employer	Web	
Work with LPPA and Scheme employers to implement PensionPoint.	Employer	Web	
Work with LPPA and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	Electronic	Annually	By email	All
Pensions Website	Web	Continually available. Updated as required	Advertised on all communications	All
TUPE Manual and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	Via email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All

Explanation of communications

Contact sheet – A form distributed annually to all scheme employers to ensure contact details are kept up to date. Details are recorded on the ERM system on Altair

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPPA.

TUPE Manual and Admissions Policy – These documents are relevant to Letting Authorities that are looking to outsource a service to a third-party supplier

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme-based information such as the number of scheme members and scheme employers. This is published and available on the pensions website

Pension Fund Valuation Reports – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three-year period

Funding Strategy Statement – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

5. Communications with Representatives of Members

Pensions Committee

Our aims for communicating with Pensions Committee are:

- to provide information to enable the Committee to make decisions delegated under the Council's constitution
- to provide information to ensure the Committee are kept informed of pension related matters
- to ensure the Committee are aware of their responsibilities in relation to the Scheme

Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	Audience	Media	End of Year Review 2023
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	
To arrange required training as and when required	Pensions Committee Members	Face to Face/ Online	

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the brent.gov.uk website	Pension Committee Members and Trade Union representatives
Pensions Committee Briefings	Face to face	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to	As and when required	By email	Pensions Committee Members and Trade Union representatives

Explanation of communications

Pensions Committee Reports – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the Brent.gov.uk website

Pension Committee Briefings – Pension Fund officers attend all Committee meetings and provide a verbal briefing on each report

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Training is shared with the Local Pension Board members where applicable

Pensions Board

Our aims for communicating with the Local Pensions Board are:

- to provide information to enable the board to assist the Scheme Manager in executing their duties
- to provide information to ensure the board are kept informed of pension related matters
- to provide training with regards to investment and administration matters

Key actions will be:

- to submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

Action	Audience	Media	End of Year Review 2023
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	

To arrange required training as and when required	Local Pension Board	Face to Face and online	

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the brent.gov.uk website	Local Pension Board
Local Pension Board Briefings	Face to face	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	Before each board meeting. Continual self-development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board

Explanation of communications

Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

6. Other Stakeholders

Pension Fund Manager (Finance)
The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

Local Pensions Partnership Administration
The scheme manager is responsible for monitoring the administration contract with the Local Pensions Partnership. Monthly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

Investment Fund Managers
Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

Trade Unions
Trade unions in the London Borough of Brent are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

7. Member Contacts

Member Contacts - for general administrative queries:

Brent Pensions
LPPA
PO Box 1383
Preston
PR2 0WR

Telephone: 0300 323 0260
Member contact form

Employer Contacts – for queries on employer set up with LPPA:

Email: engagment@localpensionspartnership.org.uk
Telephone: 0300 323 0260
Employer contact form

London Borough of Brent Contact

Anna McCormack
Senior Pensions Officer
Brent Pensions
Brent Civic Centre
Engineers Way
Wembley. HA9 0FJ

Email: pensions@brent.gov.uk
Telephone: 020 8937 3190

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

Grant Thornton

The Audit Findings Report for Brent Pension Fund

Year ended 31 March 2023

September Month 2023

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Standards Committee.

[Insert Key Audit Partner Signature]

Name: Ciaran Mclaughlin
For Grant Thornton UK LLP
Date: 19 September 2023

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 5 to 19. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements subject to the following outstanding matters;

- Receipt of outstanding confirmation for Investment, Cash and Contingent liability
- Clearance of review notes on Benefits payable
- Review of financial instruments, key management personnel and triennial valuation
- Receipt of response to our query on IAS 19 work
- Receipt and review of the Annual report
- Subsequent event confirmation
- Receipt of management representation letter ; and
- Review of the final set of financial statements

Our anticipated opinion on the financial statements will be unmodified

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. As documented above we have not received the Annual Report.

Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2023 and therefore this report has not yet been produced. The Pension Fund aims to provide us with the annual report before we issue our audit opinion. If they do, we propose to issue our 'consistency' opinion on the Pension Funds Annual Report . We are unable to certify completion of the audit of the administering authority until this work has been completed and objections raised on the administration authority's accounts have been resolved.

As a result of the Annual Report not being ready yet we will not be able to issue the completion certificate at this time.

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1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to provide responses to our audit queries in a timely manner. The Pension Fund team worked constructively with the audit team to ensure that audit queries were resolved on time in most cases. There was clear and open communication between the audit team and the Pension Fund Officers which ensured that the audit process went smoothly most of the time.

There was a new pension administration system change from Altaire to Civica which management did not make us aware of until we started the audit. As such we did not factor the audit work on new system implementation into our budget. We experienced delays with obtaining information which we requested for our audit work on the new system transfer from the Local Pensions Partnership Administration (LPPA). There were also delays with getting evidence for the samples which we selected for our triennial valuation test and IAS 19 test.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hyman Robertson, and showed that the

Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. The present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. Following the 2022 triennial valuation, the Employer's contributions for the period to 31 March 2024 are estimated to be approximately £41.6m. The deficit recovery period is 20 years. Contributions will remain at 33.5% of pensionable pay in 2023/24. The results of the latest triennial valuation are reflected in note 35 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 25. We identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as it the data might have been archived. We did not identify any issues apart from the two issues identified from our testing. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Brent Pension Fund, the Audit and Standards Committee fulfil the role of those charged with governance. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved as detailed on page 3, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 26 September 2023.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the pension fund team and other staff. During the audit, both your pension fund team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e. remote accessing financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the entity, cover for sickness absence and access to key data from Pension Fund staff .

As documented on page 4, we were not aware of the system change until we started the final accounts audit and such the work in relation to the new system implementation was not budgeted for and factored into our fees. We also experienced delays in obtaining evidence for the testing of triennial valuation and IAS 19 data as summarised on page 34

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 18 July 2023

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,800,000	This represents 1.5% of net assets
Performance materiality	12,600,000	This represents 75% of materiality for financial statements
Trivial matters	840,000	This is 5% of overall financial statement materiality.
Materiality for fund account	4,700,00	This represents 8% of total gross expenditure.

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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals. • analysed the journals listing and determined the criteria for selecting high risk unusual journals. • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence. • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person. The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. We have recorded this as a control point on the action plan at appendix B. Our work on journals is complete. Apart from the point raised above, our work has not identified any issues in respect of management override of controls.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £101.3m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31March 2023. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We have: • evaluated management's processes for valuing Level 3 investments. • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met. • Independently request year-end confirmations from investment managers and the custodian (Northern Trust). • tested the valuation of a sample of investments by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. We have reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period. • evaluated the completeness, capabilities and objectivity of the valuation expert in the absence of available audited accounts. • reviewed investment manager service auditor report on design and operating effectiveness of internal controls where available. Our work on level 3 investments is in progress. Our work to date has not identified any issues which we need to bring to the attention of the Audit and Standards Committee.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
The implementation of the Pensions Administration System In November 2022, Brent Pension Fund moved its Pensions Administration function from the Altair System to the UPM System. As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end. The system change impacts benefits payable and contributions which are material balances in the accounts as they are contributed by members. Thus, we have identified a significant risk in this area over the completeness and accuracy of the transfer between the systems.	We have • obtained an understanding of the processes and controls put in place by management to ensure the completeness and accuracy of the transfer of data between the old and new Pensions Administration System; • reviewed the checks undertaken by management over the data transfer to assure themselves over the completeness and accuracy of the transfer; • Carried out testing to check that all members have been correctly transferred from Altair to Civica Our audit work has not identified any issues in respect of the implementation of the new pensions administration system.

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2. Financial Statements: Other risks

Risks identified	Commentary
Local Government Pension Scheme triennial valuation Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.	We have: • reviewed the methods used to calculate the estimate, including the models used • reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports. • performed tests on the accuracy and completeness of the data used in the valuation process. This included examining source documents and reconciling data to supporting records. • evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements. From our testing of 25 samples, we identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as the data might have been archived. Our work on triennial valuation is complete subject to review. Apart from the points noted above, our audit work has not identified any issues in respect of Local Government Pension Scheme triennial valuation

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2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud to support the financial statement audit of the London Borough of Brent and its subsidiaries for year ended 31 March 2023. The overall rating was significant deficiencies in the in the IT controls relevant to the financial statements.	The IT Audit team have; • evaluated the design and implementation effectiveness for security management, change management and batch scheduling controls; • performed high level walkthroughs, inspected supporting documentation and analysed configurable controls in the above areas; • completed a detailed technical review of Oracle Cloud as relevant to the financial statements audit; and • documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary. The IT audit work identified 2 significant deficiencies, 1 deficiency and 1 improvement opportunity . The significant deficiencies identified are: • segregation of duties conflicts between finance / payroll and system administration roles in Oracle Cloud. • Excessive access assigned to HR and Payroll users. We have detailed the findings from the IT audit and recommendations made by the IT audit team on the action plan at appendix B.	We have considered the findings by the IT audit team and factored procedures in our journal testing to check if any of the deficiencies identified has any impact on the audit. We did not identify any issues which showed that the IT deficiencies have any impact on journals posted or on the financial statements. Management has provided responses to the recommendations made by the IT audit team for each of the deficiencies. We have recorded the management responses against the control points which we have raised for the deficiencies on the action plan at Appendix C

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £115.7m	The Pension Fund has Level 3 investments in private equity, infrastructure and private debt which in total are valued on the net assets statement as at 31 March 2023 at £115.7m. The management has flagged estimation uncertainty in relation to private equity/infrastructure/private debt investments in that there is a risk that this investment may be under- or overstated in the accounts. This is because such investments are valued on the latest available information, as the exact value of the investment as of 31st of March 2023 might not yet be available at the time of the compilation of the accounts. The management therefore uses the custodian as their expert, as Northern Trust will adjust the fund managers' valuations to account for cash-flows in the intervening period. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management uses the custodian report provided at the year-end by Northern Trust. The investment valuations are supported by audited accounts. Service auditor reports were also obtained and considered as part of our testing. The value of the investment has increased by £14.4m in 2022/23.	From the procedures undertaken, we have • deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • assessed management's expert (the fund managers and the custodian which is Northern Trust) • obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. • checked the completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • reviewed the results of service auditor reports • checked the reasonableness of the increase in level 3 investments • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Level 3 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £972.9m	The Pension Fund has Level 2 pooled investments and pooled property investments which in total are valued on the net assets statement as at 31 March 2023 at £972.9m. Management has not flagged any estimation uncertainty in relation to Level 2 investments. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. The Pension Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated. The value of the investment has decreased by £29.4m in 2022/23.	From the procedures undertaken, we have • deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • assessed management's expert (the fund managers and the custodian which is Northern Trust) • obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. • checked the completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • reviewed the results of service auditor reports • checked the reasonableness of the increase in level 3 investments • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Level 2 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle	ITGC assessment (design and implementation effectiveness only)	🔴	🔴	TBC	TBC	Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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2. Financial Statements: Information Technology

We also performed specific procedures in relation to the significant event during the audit period, specifically the new system implementation

IT system	Event	Result	Related significant risks/ risk/observations
Altair and Civica UPM	New system implementation	Our testing to date has not identified any significant deficiency. We checked the reconciliation carried out during the system implementation to ensure that membership ship data was correctly transferred from Altair to Civica. Our testing has not highlighted any issues.	**The implementation of the Pensions Administration System** As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end. Our sample testing of individual member data transferred from Altaire to Civica confirmed that the data for each sample was correctly transferred. Our testing did not identify any differences between the two systems for membership numbers.

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is included in the Audit and Standards Committee papers Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for Level 3 and level 2 investments
Audit evidence and explanations	All information and explanations requested from management was provided. We experienced delays with: • obtaining information from LPPA to carry out our audit work on the new system transfer • getting evidence for the samples which we selected for our triennial valuation testing and IAS 19 test.

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2. Financial Statements: other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to fund managers. This permission was granted, and the requests were sent. We have received all requests other than confirmation from Alinda for level 3 investments and confirmation from Natwest for level 1 investments. We requested management to send letters to those solicitors who worked with the Pension Fund during the year. As at 19 September a reply has only been received from all other than the following solicitors; • Bevan Brittan • Ashfords • Judge Priestley We have requested management to follow up the outstanding responses.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements

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2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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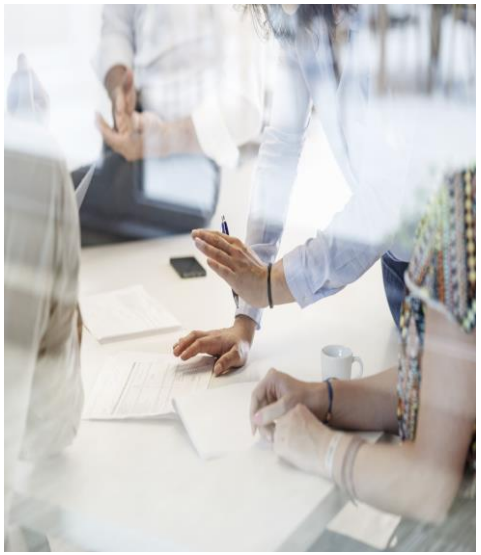
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by the London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. This work is outstanding.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not received the annual report from the pension fund yet, however the pension fund intends to provide us with the annual report before we issue our opinion. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report if the Pension fund provides us with the annual report before we issue our audit opinion. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters



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3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

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Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified 6 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit .The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension. Risk Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to.	Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners . **Management response** The pension fund regularly reviews it's data and will consider what steps it can take to address this finding.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**Excessive access assigned to HR and Payroll users.** IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role The Council informed our IT team that the role is required to enable system configuration to be undertaken as part of this team, such as for pay awards and performance enrolments. The Brent HCM Application Administrator role provides these individuals with significant levels of access, enabling them to alter system behaviour and create workers in Oracle Cloud **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters	It is recommended that the Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required. **Management response** The Brent HCM Application Administrator role has now been removed from the Payroll, Learning and Development, and Training teams and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities
High	**Segregation of duties (SoD) conflicts between finance / payroll and system administration roles in Oracle Cloud.** IT Audit's identified that a Senior Finance Analyst had access to the Application Implementation Consultant role **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters	It is recommended that the Council undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities **Management response** This was removed and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Seeded roles with SoD conflicts** IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security - FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV - FND_APP_MANAGE_PROFILE_OPTION_PRIV - FND_APP_MANAGE_PROFILE_CATEGORY_PRIV - FND_APP_MANAGE_TAXONOMY_PRIV - FND_APP_MANAGE_DATABASE_RESOURCE_PRIV **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.	It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour **Management response** We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person. The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. **Risk** This finding indicates that there is currently nothing in the system to prevent journals being posted with an identical journal number (lack of preventative controls), which increases the risk of error occurring and can result in journal duplications.	Management should put in place a control/ procedure/checks which will prevent more than one journal from being posted with the same journal number. **Management response** Management will look to ensure that all staff are aware of the procedures to make sure this is not repeated.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Lack of audit logging for configurations in Oracle Cloud** IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table. **Risk** Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.	It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to: • Accounts Payable • Cash Management • Accounts Receivable and • General Ledger It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS **Management response** Audit logging has been reviewed across all financially critical areas and has been found to be sufficient

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of Brent Pension Fund's 2021/22 financial statements, which resulted in 4 recommendations being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.** Our audit identified the following segregation of duties conflicts for users in Oracle Cloud: • A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles. • A Senior Finance Analyst had access to six Brent L3 Support roles. • The Head of Finance had access to the IT Security Manager role. • Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022). • 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role. The Pension Fund confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements. **Risk** Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.	**Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:** - Four Quarterly user access reviews performed, by Oracle Cloud Applications Support, findings are recorded on SharePoint and is a manual process. - Only the Oracle Support Team & SI support have the privileges to develop and makes changes in Oracle cloud, this follows the governance in place which also includes approval at the Oracle CAB for deployment into production.

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Lack of audit logging in Oracle Cloud.** Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled. **Risk** Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database. It is recommended that the Council implement audit logging for financially critical areas including, but not limited to: • Accounts Payable (including Suppliers); • Cash Management; • Accounts Receivable; and • General Ledger. The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.	- Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication.
✓	**Monitoring of scheduled processes.** Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team. **Risk** Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud. It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.	Change requests are logged via Hornbill following the governance model in place. - Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD. - Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads.

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Project documents maintained in an unsecured format.** Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams. **Risk** There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned. For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation: • Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner. • Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team. • Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom.	Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team - Any changes to financially significant scheduled jobs are managed and recorded via Hornbill. - This operation is carried out daily by the OCAS team identifying exceptions and controls are in place.

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The audit fees for 2021/22 were incorrectly disclosed in the draft accounts at £33k instead £38k.	The management fees for 21/22 need to updated to the correct amount **Management response** Final set of accounts will be updated.	✓

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D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
From our testing of employee contributions, there was one sample which the Pension fund could not provide evidence to support the contribution amount. The sample in question relates to a school employee . Since we could not verify that that the contribution amount of £53.7 is accurate and relates to the correct year , we treated this sample as an error and extrapolated it. The extrapolated error is £305k. We have treated this error as an overstatement of contribution				The Pension Fund has not adjusted the error as it is an extrapolated error and it is below PM
Dr Employees Contribution	305			
Cr Current Liabilities		-305	-305	
Overall impact	**£305**	**-£305**	**£305**	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
During the testing of contributions paid by admitted bodies, we identified an error where the pension fund overstated the pension paid by an admitted bod by £1,691. We extrapolated the error to £2,640k				The Pension Fund did not adjust it as it was not a factual error.
Dr Contribution	2,640			
Cr current Liabilities		-2,640		
Overall impact	**£2,640**	**£2,640**	**£0**	

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E. Fees and non-audit services

We confirm below our proposed fees charged for the audit. There were no fees for the provision of non-audit services.

Audit fees	Proposed fee
Scale fee	£22,420
Investment Valuation	£6,351
Additional audit procedures arising from a lower materiality	£6,575
Increased audit requirements of revised ISA 540	£3,500
Journals	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
ISA 315	£3,000
New System Implementation work	£6,500
Hot Review	£2,500
Work on triennial valuation member data	£5,000
Total audit fees (excluding VAT)	**£51,771**

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

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E. Fees and non-audit services

There are no non-audit or audited related services have been undertaken for the Pension Fund

The proposed fees reconcile to the financial statements as shown below

fees per financial statements	£37,771
• New System Implementation work	£6,500
• Hot Review	£2,500
• Work on triennial valuation member data	£5,000
• total fees per above	£51,771

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

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F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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Investment Strategy Statement

1. Introduction and background

This is the Investment Strategy Statement ("ISS") of the London Borough of Brent Pension Fund ("the Fund"), which is administered by Brent Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee on 4 October 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement dated February 2023.

The Committee has agreed the following long-term target investment strategy for the Fund. It will be necessary for the Fund to allow time for these arrangements to take effect, hence the interim target allocation shown below.

Asset class	Interim target allocation (%)	Long-term target allocation (%)
Global equities	40.0	40.0
UK equities	5.0	5.0
Emerging markets equities	5.0	5.0
Private equity	2.5	-
Total Growth	**52.5**	**50.0**
Property	2.5	10.0
Infrastructure	5.0	15.0
Private debt	5.0	5.0
Diversified growth	20.0	5.0
Total Income	**32.5**	**35.0**
Multi-asset credit	5.0	5.0
Government gilts	10.0	10.0
Total Protection	**15.0**	**15.0**
Total	**100.0**	**100.0**

2. The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

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

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

In 2023, the Fund carried out an asset-liability modelling exercise in conjunction with the 2022 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of alternative investment strategies were assessed. The implications for the future evolution of the Fund were considered under a wide range of different scenarios.

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

The Committee assessed the likelihood of achieving their long-term funding target – which was defined at that time as achieving and maintaining a fully funded position in 20 years' time.

A summary of the expected returns and volatility for each asset class is included later in this statement. In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Environmental, Social and Governance (ESG) factors

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, accepting that given the nature of some of the underlying investments, it may take the Fund time to move towards the target allocation.

The Committee reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Committee and is only made between the Fund's liquid assets. Among the factors taken into account by the Committee in its decisions are:

- the materiality of under and overweight positions;

- any asset transitions that are already scheduled;
- market views on the relative attractiveness of different asset classes;
- liquidity and transaction costs; and
- the confidence of the Committee in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

To help inform rebalancing decisions, the Committee has set the following upper limits to inform rebalancing:

Asset class	Interim target allocation (%)	Long-term target allocation (%)	Upper limit for rebalancing (%)
Listed equities	50.0	50.0	60.0
Diversified Growth	20.0	5.0	25.0
Multi-asset credit	5.0	5.0	10.0
Government gilts	10.0	10.0	15.0
Cash	0.0	0.0	5.0

3. Investment of money in a wide variety of investments

Asset classes

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

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out on page 1. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The latest investment strategy review took place in February 2023. At this time the Committee agreed to maintain the current long-term strategic allocation that was agreed following the 2019 actuarial valuation.

The Committee is aware that private market investments take time to invest in, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain its existing 20% target allocation to Diversified Growth Funds, which will be monitored and regularly assessed in in anticipation of its longer-term reduction in size.

The long-term asset class returns assumed within the asset-liability modelling exercise were as follows. These returns reflect financial conditions as at 31 March 2022.

Asset class	Median expected return[1] over 20 years (% p.a.)
UK equities	6.2%
Global equities	6.3%
Emerging markets equities	6.3%
Property	5.0%
Infrastructure	6.5%
Private debt	9.8%
Diversified growth funds	4.9%
Multi-asset credit	6.7%
Government gilts	4.4%
Total Fund	6.0%

At 31 March 2022, the expected volatility[2] of the investment strategy over 1 year was 13.1%. This volatility includes an assumed diversification benefit. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

Types of investment	Maximum investment by the Fund (% of assets)
Contributions in any single partnership	5%
Contributions invested in partnerships	30%
Cash deposits	10%
Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index-tracking strategies	15%
Total investment in illiquid assets[3]	30%

[1] This indicates that over a 20 year period, there is a 50% chance that the actual annualised return will be higher, and a 50% chance that the actual annualised return will be lower, than the median expected return.
[2] A volatility of 13.1% indicates that over 1 year there is a 2/3rds chance that the actual return over this period will be within +/- 13.1% of the expected return assessed over the same 1 year period.
[3] This represents a maximum at the point of investment. The impact of market volatility will be assessed separately.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the index-tracking funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

4. The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

Key funding risks considered include:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways.

- As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The results from the analysis carried out in 2023 highlighted the Fund has a greater than 75% probability of being fully funded in 2041. The downside risk measure shows that the funding level in the average of the worst 5% of outcomes projected to 2028 is 38%. This analysis reflects the current investment strategy and level of agreed contributions and is based on financial conditions as at 31 March 2022. This analysis will be revisited as part of the 2025 valuation process.
- The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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

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

Asset risk

- Market risk – The risk that the market value of the Fund's assets falls.
- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.
- Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place re-balancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

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

Other provider risk

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.

- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

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

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

5. Approach to pooling investments, including use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") will operate was set out in the July 2016 submission to Government.

Assets to be invested in the London CIV Pool

The Fund's intention is to invest its assets through the Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

2 That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has already invested the following assets via the Pool. Note this includes investments in index-tracking equity funds with BlackRock and LGIM, which are commonly regarded as pooled assets even though they sit outside of the Pool.

Asset class	Manager	% of total Fund assets[4]
Global equities (index-tracking)	LGIM	43.7
Global equities (index-tracking)	BlackRock	2.5
UK equities (index-tracking)	LGIM	6.3
Emerging market equities	LCIV (JP Morgan)	3.9
Diversified Growth	LCIV (Baillie Gifford)	11.1
Diversified Growth	LCIV (Ruffer)	8.8
Infrastructure	LCIV multi-manager	3.3
Private debt	LCIV multi-manager	3.1
Multi-asset credit	LCIV multi-manager	3.7
Gilts	BlackRock	4.9

[4] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations shown are subject to rounding.

Total	91.3

At the time of preparing this statement the Fund has elected not to invest the following assets via the London CIV Pool.

Asset class	Manager	% of Fund assets[5]	Reason for not investing via the Pool
Private equity	Capital Dynamics	2.2	In wind down
Infrastructure	Capital Dynamics	0.2	In wind down
Infrastructure	Alinda	1.5	In wind down
Property	Fidelity	1.2	No equivalent fund available via the Pool
Property	UBS	1.0	No equivalent fund available via the Pool
Total		6.1	

The Fund will consider participating in pooling arrangements for the current and/or future property investment investments if a suitable solution is made available by the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2026.

Structure and governance of the London CIV Pool

The July 2016 submission to Government of the Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS. In the meantime, further information is provided on the London CIV's website (https://londonciv.org.uk/).

6. How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term

[5] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations are subject to rounding.

performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. As a result, the Committee has committed to undertaking a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Once this audit has taken place the Committee intends to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c30% of the Fund's assets sit within the London CIV and this percentage is expected to grow over time.

At this stage, the Committee has not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon exposure. Some flexibility may be appropriate to allow the Fund to adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- Ongoing engagement is preferable to divestment
- We must act as responsible owners
- The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

The Fund's investment beliefs can be found in the appendix.

The Committee takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

7. The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee considers the Fund's approach to stewardship also as a key area by acting as a responsible and active investor, by commissioning considered voting on the Fund's behalf as shareholders, and by indirectly engaging with investee company management as part of the investment process.

The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on a regular basis.

Engagement

The Committee endorses the Stewardship Code as published by the Financial Reporting Council.

The Committee expects both the London CIV and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

The Committee supports engagement activity that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment
- Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy

- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

Investments made via the London Pool are subject to its Responsible Investment Policy, which is developed in consultation with all of the Pool's partner funds.

For and on behalf of London Borough of Brent Pension Fund Committee

Appendix – Investment beliefs

Core investment beliefs

Clear and well defined objectives are essential to achieve future success - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

Long term investing provides opportunities for enhancing returns - As a long-term investor it is important that the Fund acts as an asset owner. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

Equities are expected to generate superior long term returns - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However the Committee also recognise that equities can be highly volatile over the short-term.

Diversification reduces the overall volatility of the Fund's asset returns - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

Passive management has a role to play in the Fund's structure - The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

Active management can add value but is not guaranteed – the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

Private markets can offer opportunities - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.

The choice of benchmark index matters – whilst active managers are expected to take ESG issues in their individual stock selection decisions, it is acknowledged that index-tracking managers will invest in line with the index set out in their mandate. The Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

Rebalancing policies are important – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

Fees and transaction costs matter - The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

Governance "budget" matters – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

The London CIV is the Fund's preferred approach to implementation – the Committee recognises the potential benefits of LGPS pooling. There preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV's investment offering.

ESG-specific beliefs

Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

Ongoing engagement is preferable to divestment – The Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

We must act as responsible owners – As asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2°C degrees.

It is important for the Sub-Committee to integrate ESG issues when identifying investment opportunities – we will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a "positive impact" can be considered if they are consistent with the overall objectives of the Fund's investment strategy.

The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making – Investment managers are responsible for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

We will generally avoid investing in the most harmful companies and sectors – we believe we have a duty to consider the wider environmental and social impacts of investments. We believe that we should generally avoid investing in the most harmful companies and sectors.

Disclosure is important – we will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed directly with managers, through involvement in the London CIV and also through membership of the LAPFF. We will also disclose the actions we are taking, including publishing this policy and incorporating our RI policies and approach into the way that we engage and communicate with members.

	Brent Pension Fund Sub-Committee 04 October 2023
	Report from the Corporate Director of Finance and Resources

DLUHC Consultation on LGPS Investments

Wards Affected:	ALL
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	PART EXEMPT - Appendix 1 is exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
List of Appendices:	One: Appendix 1 - Hymans Robertson Consultation Response (Exempt from Publication)
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Pensions sawan.shah@brent.gov.uk 020 8937 1955

1.0 Executive Summary

1.1 The Department for Levelling Up, Housing and Communities (DLUHC) have launched a consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

2.0 Recommendation(s)

2.1 To note the consultation on proposals relating to the investments of the LGPS and the summary included in section 3.2 of this report.

2.2 Officers will prepare a formal response to the consultation on behalf of the Brent Pension Fund before the consultation closes on 02 October, in consultation with the Chair of the Pension Fund Sub-Committee. Members are invited to provide their comments to officers prior to the deadline.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

3.2.1 The Department for Levelling Up, Housing and Communities (DLUHC) published a consultation on the next steps for LGPS investments on 11 July 2023.

3.2.2 The consultation seeks views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

3.2.3 The proposals, if implemented would have an impact on the roles and responsibilities of LGPS pension funds such as the Brent Pension Fund. The table below provides a summary of the proposals.

Asset Pooling	The government sets out proposals to accelerate and expand pooling. It is proposed to set a deadline for asset transition by March 2025. The government will consider action if progress is not seen, including making use of existing powers to direct funds. It is also proposed to see a transition towards fewer pools to maximise benefits of scale.
Governance and decision making	It is proposed to strengthen existing guidance on delegation of manager selection and strategy implementation. Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. They should be actively advising funds regarding investment decisions, including investment strategies.

	It is proposed that administering authorities set a training policy for committee members and to report regularly on the training undertaken by committee members.
Levelling up	To amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
Investment in private equity	The government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. It is proposed that LGPS funds should complete this consideration of private equity opportunities as part of the regular review of their investment strategy statement, and that the new requirement would be set out in revised guidance on investment strategy statements. However, the Consultation reiterates that the fiduciary duty to set the asset allocation will remain with the administering authorities.
Amendments to the LGPS regulations	To amend regulations to set requirements on funds that use investment consultants in line with the Competition and Markets Authority (CMA) order.
Definition of Investments	It is proposed to make a technical change to the definition of investments within LGPS regulations.

3.2.4 The full consultation is available on DLUHC's website and lasts up to 02 October 2023.[1] The Fund's investment advisors have prepared their draft response to the consultation which is attached in confidential appendix 1.

3.2.5 Officers, in consultation with the Chair of the Pension Fund Sub-committee, will draft a response to consultation. Officers are also in conversations with other London Boroughs via London Pension Officers Forum and with London CIV in formulating a response. Members are invited to provide any thoughts on the consultation to officers who will consider these thoughts as part of our response. The Fund has made the following observations on the key areas of the consultation:

- The Fund supports the pooling of listed assets however we note the proposed deadline of March 2025 will be challenging for some Funds;
- We are concerned that passive or index-tracking solutions will not be classified as 'pooled'. It would be difficult to transfer these assets to investments owned by the pool by the proposed deadline while also incurring significant transaction costs and higher on-going charges;

[1] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments

- We support the requirement to develop training policies and increase the level of training provided to pension committees;
- The Fund supports the definition of levelling up and recognises that LGPS Funds can have a positive impact in this area. Funds should retain responsibility for setting asset allocations therefore any ambitions regarding asset allocations should be guidance rather than a requirement;
- We have concerns around the requirements for publishing plans/reporting and the resource burden this will place on individual funds;
- The Fund does not support the ambition or requirement for private equity given that the fiduciary duty to pay pensions remains with the Fund.

4.0 Stakeholder and ward member consultation and engagement

4.1 There are no direct considerations arising out of this report.

5.0 Financial Considerations

5.1 There are no direct financial considerations arising out of this report.

6.0 Legal Considerations

6.1 There are no legal considerations arising out of this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are no equality considerations arising out of this report.

8.0 Climate Change and Environmental Considerations

8.1 There are no climate change or environmental considerations arising out of this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are no HR or property considerations arising out this report

10.0 Communication Considerations

10.1 There are no communication considerations arising out of this report.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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	Brent Pension Fund Sub-Committee 04 October 2023
	Report from the Corporate Director of Finance and Resources

LAPFF Engagement Report

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	One: Appendix 1 - LAPPF Engagement Report Q2 2023
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Pensions sawan.shah@brent.gov.uk 020 8937 1955 Carlito Rendora, Finance Analyst Carlito.Rendora@brent.gov.uk 020 8937 2681

1.0 Executive Summary

1.1 This report is for noting and presents members with an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's commitment with LAPFF and its work demonstrates its commitment to Responsible Investment and engagement as a way to achieve its objectives.

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background of LAPFF

3.2.1 LAPFF (the Local Authority Pension Fund Forum) has 87 members, 6 pools and combined assets exceeding £350bn. With investments widespread in many sectors, LAPFFs aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

3.2.2 Leading the way on issues such as campaigns against excessive executive pay, environmental and human rights campaign, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.

3.2.3 In October 2019, the Pension Fund Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

4.0 Engagements Conducted by LAPFF

4.1.1 The LAPFF policy on confidentiality requires that all company correspondence (letters and meeting notes) remain confidential; however, LAPFF produce a Quarterly Engagement report to give an overview of the work undertaken. A summary of key engagement work has been provided in this report. However, the full report is attached in Appendix 1 and highlights the achievements during the most recent quarter.

4.2 AGM Season

4.2.1 LAPFF attended six AGMs and drafted over 50 climate related shareholders resolutions. LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies.

4.2.2 A voting alert was issued by LAPFF for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a 52 percent of the shareholder vote.

4.2.3 Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the 'Follow This' resolutions at BP and Shell. The resolution received nearly 15 percent support and over 20 percent support respectively.

4.2.4 LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

4.2.5 LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

4.2.6 LAPFF will continue to issue voting alerts throughout the year as appropriate.

Technology Voting Alerts

4.3 LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

4.4 LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

4.5 Report on Visit to Brazil

The report of LAPFF's findings from this visit has now been made public.

4.5.1 The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana dam and Brumadinho dam disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit.

4.5.2 Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently.

4.5.3 There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

4.6 Collaborative Engagements

Toyota – CA100+

4.6.1 This quarter LAPFF signed onto a letter to Toyota which called on the company to align its strategy and lobbying activity within 1.5 degrees of global warming scenario. LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it.

4.6.2 LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

National Grid – CA100+

4.6.3 LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. Detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition. LAPFF's leadership of the group held meetings with the company, giving it the chance to explain its concerns and suggest best practice.

4.6.4 The company has acknowledged some of LAPFF's comments. Shortly before its AGM, the company announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has also publicised a policy proposal for addressing the delays in grid connection which is a welcome development.

4.7 Stakeholder Engagement

OECD Forum on Responsible Supply Chains

4.7.1 LAPFF asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil.

4.7.2 Several participants were impressed with LAPFFs work in the area that they wanted to learn more about LAPFFs experience. LAPFF is continuing to engage with these contacts and others made through them to explore opportunities to develop this work stream further.

Mining Communities and Workers.

4.7.3 LAPFF's aim in meeting the communities affected by mining companies is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

4.7.4 LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale.

4.7.5 LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries.

5.0 Stakeholder and ward member consultation and engagement

5.1 There are no direct considerations arising out of this report.

6.0 Financial Considerations

6.1 There are no direct financial considerations arising out of this report.

7.0 Legal Considerations

7.1 There are no legal considerations arising out of this report.

8.0 Equality, Diversity & Inclusion (EDI) Considerations

8.1 There are no equality considerations arising out of this report.

9.0 Climate Change and Environmental Considerations

9.1 The Brent Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 There are no HR or property considerations arising out this report.

11.0 Communication Considerations

11.1 There are no communication considerations arising out of this report.

Report sign off:

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Corporate Director of Finance and Resources

Quarterly Engagement Report

April-June 2023

Local Authority Pension Fund Forum

AGM Season, LAPFF Brazil Visit Report, Climate Voting Alerts, BP, Shell

UPDATES

AGM Season

LAPFF is always busy during AGM season, and this year was no different. In addition to attending six AGMs (including the US-based Home Depot's meeting) this quarter, LAPFF drafted a record number of voting alerts. These alerts showcased LAPFF's climate voting alert initiative, for which voting alerts were issued on over 50 climate-related shareholder resolutions.

LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies. These recommendations were prompted by another round of shareholder resolutions at US technology companies covering a range of ESG issues. Notably, Amazon faced 16 resolutions this year, with Alphabet and Meta Platforms each facing 10 and 11 respectively. A couple of LAPFF members even co-filed resolutions on freedom of association and collective bargaining.

LAPFF issued a voting alert for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a whopping 52 percent of the shareholder vote. There were a number of shareholder resolutions on this topic at US AGMs this year, and LAPFF anticipates more during the 2024 season.

Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the Follow This resolutions at BP and Shell. The resolution received nearly 15 percent support at BP and over 20 percent support at Shell. LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

Drax's rhetoric and practices on climate have been a particular concern for LAPFF over the last few years. Consequently, LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

It is interesting to note that while many ESG resolutions, and in particular socially oriented resolutions, gained traction this year, the so-called 'anti-ESG' resolutions aimed at questioning the value of ESG issues in relation to financial performance, appeared to lose ground. LAPFF will continue to issue voting alerts throughout the year as appropriate.

LAPFF Report on Visit to Brazil

As reported previously, LAPFF Chair, Cllr Doug McMurdo, visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam, which has not collapsed but about which surrounding community members have concerns.

The report of LAPFF's findings from this visit has now been made public. A related video is also available.

The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

Cllr McMurdo also met with company

"I knew the visit would be difficult, but I wasn't prepared for the scale of devastation I saw nearly seven years on from the Mariana collapse and three and a half years on from the Brumadinho collapse. Seeing it with my own eyes was a wake up call – investors must do more! It was truly heartbreaking. My main concerns were the issues around water quality and availability and the apparent lack of communication between the companies and the communities. I can't see how there can be meaningful progress until this communication gap is rectified, but it is a tall order. I am also now more convinced than ever that this is an issue of financial materiality."

LAPFF Chair, Cllr Doug McMurdo

VOTING ALERTS

representatives and Brazilian investors during his visit. Vale Chair, José Penido, spent two days showing Cllr McMurdo two resettlement areas in Mariana and the site of the dam collapse at Brumadinho. Cllr McMurdo met with staff at Samarco to understand better how the collapse had happened and measures the company is taking to rectify the problems. JGP Asset Management then organised a meeting of LAPFF, Brazilian investors, and Vale to discuss a sustainable way to rectify the outstanding reparations work. BHP declined to make a representative available to meet with LAPFF in Brazil.

It was clear to LAPFF from these meetings that the companies need to do a better job of communicating to both communities and investors the steps they are taking to address human rights and environmental concerns.

CLIMATE VOTING ALERTS

Objective: Due to the scale of the investment risks and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These alerts recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition.

Achieved: Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale of support highlights the support for climate action among responsible investors and delivered a strong message to companies on the need for credible climate action policies and plans.

Resolutions focused on climate transition plans did well. Almost half (48 percent) of shareholder votes backed a resolution at Quest Diagnostics and over a third at Raytheon Technologies (37 percent), and JPMorgan Chase (35 percent). Similar resolutions received significant support at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

Several resolutions focused on emission targets, including targets that cover all emission scopes, absolute emission reductions targets and Paris aligned targets. There were significant votes on the issue at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Shareholder requests for reports into alignment of direct and indirect lobbying activity with climate goals gained significant backing by shareholders. Cenovus board supported the shareholder proposal which received backing of 99 percent of shareholder votes. Lobbying resolutions were also strongly supported in spite of board opposition at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

This year also saw shareholder resolutions on just transition reporting, a topic which LAPFF has focused on over the past few years. The just transition resolution at BorgWarner received 31 percent of shareholder votes, 27 percent at Amazon and 16 percent at Marathon Petroleum.

In Progress: LAPFF will continue to issue climate voting alerts to support resolutions aligned with LAPFF engagement objectives. LAPFF also intends to follow up with the companies where there were significant votes in favour of shareholder resolutions to understand how the board intends to respond.

MINING VOTING ALERTS

Objective: LAPFF issued voting alerts this quarter for Rio Tinto, Anglo American, Glencore, and Vale. The aim of these voting alerts was to draw attention to both the companies and investors that there is still significant work to do on both human rights and decarbonisation in respect of creating shareholder value for investors.

Achieved: Three of the resolutions for which LAPFF recommended oppose votes at Rio Tinto were related to executive remuneration and the re-election of the sustainability committee chair. These resolutions received the highest number of oppose votes from voting shareholders. The sustainability committee chair is scheduled to step down later in the year because she reached her nine-year limit on the board. However, LAPFF has opposed her re-election since 2021 because she has been in this role since before the company's destruction of Juukan Gorge in 2020. LAPFF also recommended opposing Anglo American's remuneration implementation and policy reports, which received oppose votes at the AGM of over five and four percent respectively.

In addition to issuing voting alerts for Rio Tinto and Anglo American, LAPFF attended the AGMs of these two companies. As with the Rio Tinto sustainability committee chair, the Anglo American sustainability committee chair received a high oppose vote (over six percent). However, unlike his Rio Tinto counterpart, he was not present at the AGM. The Anglo American chair also received an oppose vote of over three percent. LAPFF was quite surprised and disappointed when he requested that people asking questions at the meeting do so only in English, especially given that a number of affected community members had travelled from South America to attend the AGM and ask questions.

The Vale and Glencore AGMs were in Brazil and Switzerland, respectively, so LAPFF was not able to attend. Nearly 22 percent of votes opposed and abstained on Vale's annual report (the vast majority abstaining); LAPFF had recommended an oppose vote on this report in relation to its coverage of the Mariana and Brumadinho tailings dam collapses. LAPFF recommended a vote in favour of the shareholder resolution on climate at Glencore, which received nearly 30 percent support from voting shareholders.

In Progress: LAPFF will continue to engage all of these companies on both their human rights and environmental practices on the basis that improved practice in these areas will set the conditions for sustainable shareholder returns.

COMPANY ENGAGEMENTS

The headquarters of Tesla Motors

TECHNOLOGY VOTING ALERTS

Objective: LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies over the last few years and did so again this year. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement with US companies with which it deems there are ESG or financial concerns. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

Achieved: LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

In Progress: Prior to issuing voting alerts, LAPFF sends the draft alerts to the target companies for comment. If the companies comment, LAPFF includes the company comments in the alert issued to its members. However, none of the technology companies receiving voting alerts provided comments or responses to LAPFF. LAPFF continues to seek ways to engage these companies meaningfully in relation to the issues of concern to LAPFF.

COMPANY ENGAGEMENT MEETINGS

Shell

Objective: LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

Achieved: After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommend voting for his re-election and against the incumbent NEDs that were appointed prior to him.

In Progress: LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. We therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BP

Objective: LAPFF sought a meeting with the CEO to better understand BP's decision to move down its 2030 reduction targets.

Achieved: LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow.
In Progress: Further contact and engagement with the company is ongoing.

HSBC

Objective: LAPFF's aim in engaging with HSBC is to ensure the company continues to show leadership in climate and addresses the human rights concerns arising from the increasing integration of Hong Kong into mainland China. While HSBC has made substantial progress on climate, certain aspects of its strategy need strengthening, in particular over the assessment of credible transition plans when lending. HSBC also faces growing human rights challenges from the increasing integration of Hong Kong into mainland China and has faced criticism for blocking the accounts of activists and the payment of pensions to those leaving Hong Kong. This point relates to shareholder proposals to split the UK and Hong Kong businesses, which have been strongly opposed by management but would be one approach to easing human rights concerns.

Achieved: LAPFF met with the Senior Independent Director to discuss its concerns. On the issue of the company split LAPFF explained that it is prepared to support the company for now, but this issue does link with broader human rights concerns over strategy and involvement in mainland China.

As a result of this meeting, LAPFF decided to issue a voting alert, recommending voting against the report and accounts as the human rights disclosures were inadequate and a broader strategy in response to the changes in Hong Kong is needed. Climate disclosure too could be improved, in particular around credible transition plans.

In Progress: The company has invited LAPFF to a follow up meeting to focus on human rights. LAPFF will seek to explore further with HSBC how it can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective direct control of mainland China, while maintaining a progressive international reputation. LAPFF has also been invited to have further discussion with the company on climate finance and reporting.

Barclays

Objective: The aim of meeting with Barclays was two-fold. The first objective was to ensure continued progress on climate related disclosure and investment, including challenging the company on fossil fuel investments. The second objective was to seek to improve governance, noting CEO appointments have been a long-term issue for the company.

COMPANY ENGAGEMENTS

Headquarters of Barclays Bank in Canary Wharf

Achieved: LAPFF was offered a very late meeting with the Chair, where it expressed its concerns primarily over governance. The discussion centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier, and what that might mean for the analysis and judgement of the Board. Recent press allegations had further heightened our concerns, with suggestions that the Board could have known more. LAPFF was considering issuing a voting alert recommending abstaining on the election of the Chair. However, in light of further discussions with the Chair, the alert was withdrawn.

In Progress: LAPFF expects to follow up with the Chair shortly and will further discuss governance, seeking reassurances and identifying any possible actions. LAPFF will also follow up with Barclays on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

Rio Tinto

Objective: LAPFF was outspoken about Rio Tinto's destruction of Juukan Gorge and has been engaging consistently with communities around the world affected by the miner's activities. Although LAPFF met briefly with Rio Tinto's new Chair, Dominic Barton, at the 2022 Rio Tinto AGM, it had not met with him one-on-one. LAPFF's aim was to have a meaningful meeting with him and ensure that the company is being overseen by an effective chair.

Achieved: LAPFF Chair, Cllr Doug McMurdo, met with Mr Barton toward the end of March to discuss the company's on-going transformation in the wake of Juukan Gorge. The meeting was cordial, and Mr Barton was receptive to LAPFF's thoughts and observations. LAPFF also met with community representatives from the US, Serbia, and Madagascar to hear about their experiences with Rio Tinto. Shortly after meeting Mr Barton, Cllr McMurdo attended the Rio Tinto AGM and posed a question about how the company is seeking to improve its social license to operate.

The morning of the AGM, LAPFF also met with Vicky Peacey, the new head of Rio Tinto and BHP's joint venture, Resolution Copper, in Arizona. Having met with a community representative from Arizona, it was helpful to hear about Resolution Copper's view on the project's developments and its perceptions of community concerns about the project.

In Progress: In addition to continued community concerns about Rio Tinto's engagement with them on social and environmental matters, LAPFF continues to question the company's approach to social and environmental impact assessments. LAPFF's view is that these impact assessments need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

Anglo American

Objective: LAPFF's main objective in engaging with Anglo American this quarter was to obtain the company's views on its report from LAPFF's time in Brazil visiting communities affected by Anglo American's Minas Rio mine. However, as a member of the PRI Advance group on Anglo American, LAPFF also sought to work with the other group members to establish a relationship with the company through that forum.

Achieved: Anglo American engaged significantly with LAPFF in relation to the Brazil report. Part of the engagement included a meeting with operational staff familiar with Minas Rio and with community concerns in relation to the mine and its tailings dam. The company's insights and contributions were extremely useful, and LAPFF was able to include many of them in the Brazil report.

LAPFF also attended the Anglo American AGM after having met community members from Peru, Colombia, and one of the Brazilian community members it had met during its visit. LAPFF's AGM question was whether the board would commit to visiting community members affected by Anglo American's operations during its visits to various Anglo American project sites throughout the year. The Anglo American Chair, Stuart Chambers, stated that the board would make this commitment.

Toward the end of the quarter, LAPFF joined with lead investors, Morgan Stanley and Schroders, to meet with Anglo American through the PRI Advance initiative. The company representatives appeared to welcome the engagement. LAPFF asked about the company's perceptions of why affected community members did not want to meet with local management at Anglo American sites.

In Progress: LAPFF was surprised at the Chair's request that AGM participants ask

COMPANY ENGAGEMENTS

their questions in English given the effort and expense made by the community members in traveling to the UK to attend the AGM. In the PRI Advance meeting, LAPFF asked whether the company would be willing to re-think this requirement at the next AGM. LAPFF will also seek to engage the chair about this decision.

BHP

Objective: LAPFF was pleased that BHP began to respond to LAPFF's request for engagement in relation to Brazil given that the company did not grant a meeting with BHP Brazil during LAPFF's visit. LAPFF's aim was to meet with the company to discuss further its approach to non-operated joint ventures and its community engagement approach, as well as developments in Brazil.

Achieved: The company provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse. Samarco is a joint venture between Vale and BHP, with BHP being the non-operating joint venture partner.

In Progress: LAPFF will continue to try to engage meaningfully with BHP, including in relation to its role in the reparations for the Mariana communities in Brazil affected by the Samarco tailings dam collapse.

Vale

Objective: An ongoing area of engagement with Vale has been the time it has taken for affected community members to be resettled following the destruction of their homes in the tailing dam disasters. Alongside gaining assurances regarding the resettlement process, LAPFF sought to engage the company on other findings in the report from LAPFF's time Brazil.

Achieved: LAPFF met with representatives from the company. Whilst still slow, the company indicated that progress was being made regarding the resettlement process. LAPFF heard how the company was continuing to seek to learn from what happened to improve its practices and that the changes occurring were in part due to engagement it has had with LAPFF. The meeting also discussed the importance of investors spending time with NGOs and communities, as LAPFF did in its visit to Brazil.

In progress: LAPFF will continue to follow the progress of the resettlement projects and engage on issues highlighted in LAPFF's report, including dam safety and water quality.

B&Q DIY store, Kingfisher plc

Kingfisher

Objective: Kingfisher was cited in a Financial Times article as providing above inflation wage increases for its lowest paid staff, in contrast to the vast majority of FTSE100 companies. LAPFF sought a meeting to understand the company's approach to remuneration and employee engagement, particularly in the context of a cost-of-living crisis.

Achieved: LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, looking at benefits as well as salary increases. Overall, Kingfisher described steps it was taking business-wide in this context.

In Progress: LAPFF continues to monitor company remuneration, looking at both CEO and employee pay.

Bank Leumi

Objective: As a part of the Forum's engagement with companies considered to be active in the Occupied Palestinian Territories, LAPFF has sought a meeting with Bank Leumi, an Israeli bank, to encourage the company to undergo an independently led human rights impact assessment, and to better understand the company's approach to human rights in its financing decisions.

Achieved: LAPFF met with representatives from the bank, who were open to dialogue. The Forum pointed out areas it believed disclosures could be enhanced around human rights and how the company managed such risks in its investment decisions. Whilst the company talks about human rights in its reporting, it does not provide any detail on its risk management protocols when looking at investment decisions, and how it manages potential direct and indirect adverse human rights impacts.

In Progress: LAPFF continues to push companies for meetings to discuss their approaches to human rights risk management in relation to the Occupied Palestinian Territories.

COMPANY ENGAGEMENTS

Garment factory workers in Myanmar

Home Depot

Objective: The Home Depot was reported to have alleged links to forced labour in its polyvinyl chloride (PVC) supply chain in the 'Built on Repression' report produced by Sheffield Hallam University. Alongside members from the Investor Alliance on Human Rights Uyghur Working Group, LAPFF met with the company in December and subsequently asked a question at the company's AGM in May.

Achieved: At the AGM, LAPFF asked the company if it would commit to undertaking a mapping of its supply chain in higher-risk areas such as Xinjiang, and whether it would undertake an independently led human rights impact assessment on its PVC supply chain. The company provided a general response on its supply chain due diligence but did not commit to either of LAPFF's requests.

In Progress: Alongside the other investors involved in the engagement, LAPFF will be seeking to organise another call with the company to further discuss its global supply chain due diligence with a focus on its PVC supply chain and Uyghur forced labour.

Next

Objective: Myanmar has been under an extended state of emergency and fraught with a variety of human rights issues since the military coup in February 2021. The Ethical Trading Initiative posted guidance last September for companies in the country's garment sector, with many choosing to exit the country having exhausted efforts to leverage positive human rights outcomes. Next is one of just a few companies still operating in the country, so LAPFF wanted to understand why the company has chosen to stay.

Achieved: LAPFF Executive member, Sian Kunert, met with Next to discuss its position in the country and what it was doing in the context of human rights risk management and due diligence. Sian asked the company representatives if they thought that Next was doing something different from its peers that allowed it to stay in the country and to respect workers' and community members' human rights in doing so. Whether it was safe to carry out audits in the country was also probed. LAPFF requested increased disclosure of child labour concerns and remediation practices.

In Progress: LAPFF will continue to monitor the company's response to the ongoing coup in Myanmar and potential labour rights issues that may arise and affect its approach to human rights.

Adidas

Objective: Adidas is another company that maintains operations in Myanmar. It was also subject to a letter from the US House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour. As with Next, LAPFF was keen to understand why Adidas has decided to maintain operations in the country.

Achieved: LAPFF met with Adidas to discuss these supply chain issues in the context of the company's approach to human rights risk management in its

COLLABORATIVE ENGAGEMENTS

global supply chains. LAPFF Executive member, Sian Kunert, asked questions about the development of the company's human rights policy, its decision to remain in Myanmar, and on its due diligence regarding Uyghur forced labour in its supply chains, which the company provided comprehensive answers to.

In Progress: It is unclear whether Adidas' response to the House Select Committee is something that will be made public. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang.

COLLABORATIVE ENGAGEMENTS

Toyota – CA100+

Objective: Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. It is also a sector in the middle of significant transition, as technology advances and regulations and public policies make EVs more price competitive. Those companies not making the shift and seeking to slow the passage of environmental laws and regulation are therefore creating investment risks associated with not staying within 1.5 degrees of warming and being left behind by competitors shifting to EVs. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. Through the CA100+ transportation group, LAPFF has been seeking to ensure these risks are properly addressed.

Achieved: This quarter LAPFF signed on to a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments, which called on the company to align its strategy and lobbying activity to a 1.5 degree scenario.

Concern about Toyota's lobbying activity led to a shareholder resolution, calling for an annual review and report on the impact on Toyota caused by climate-related lobbying activities and the alignment of their activities with the goals of the Paris Agreement. As part of its climate voting alerts LAPFF supported the resolution.

During the quarter, LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it. The company outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

In Progress: LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

Welltower – IIRC

Objective: LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with $4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. The initiative not only engages with care providers, but also Real Estate Investment Trusts to ensure that they are supporting operators meet expectations on such standards. As part of the initiative, LAPFF wrote to Welltower, a US-based REIT, seeking a meeting. LAPFF also requested the company provide information including on exposure levels and oversight mechanisms.

Achieved: As the company had not responded to requests for a meeting and information, LAPFF decided to issue a voting alert. As set out in LAPFF's policy guide, investee companies are expected to engage with shareholders and LAPFF expects boards to keep in touch with shareholder opinion. Given the lack of engagement from the company and the potential investment risks, LAPFF recommended voting against the chair of the company. In total 6.9 percent of shareholders voted against the chair, which although a minority position does indicate some concern from shareholders with the chair of the company.

In Progress: LAPFF will continue to participate in the IIRC and will follow up with Welltower to engage on the potential social risks facing the REIT.

National Grid – CA100+

Objective: LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. LAPFF is one of the co-leads at CA100+ on National Grid. Despite a positive superficial impression, detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition, continuing involvement in gas distribution without a clear long term transition plan for it, and growing delays in connecting to the grid in UK, affecting the roll out of clean energy in the UK.

Achieved: Several meetings as part of LAPFF's leadership of the group have been held with the company, giving it the chance to explain its concerns and suggest best practice. The company has acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. In our meeting with the Chair, she acknowledged some of our concerns over strategy communication, and therefore LAPFF will expect to see further improvement on this in the coming year.

In Progress: LAPFF's focus is on understanding the company's broader long-term strategy and the assumptions behind it, in particular the role it sees for domestic gas. Continuing support for gas may explain much of its reluctance to embrace Net Zero more fully. Improved strategic disclosure would help address this, including a more balanced discussion of the use of low carbon gas, and the Company's own plans or vision for improving grid connections (ideally with targets) rather than passing the blame to regulators. These areas will form the focus on LAPFF ongoing engagement with the company over the coming year.

COLLABORATIVE/STAKEHOLDER ENGAGEMENT

National Grid gas distribution operations

Vale and Anglo American - PRI Advance

Objective: LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. Both groups are in the process of establishing their engagement strategies, and LAPFF's aim is to contribute its knowledge from its own engagements with both companies to these engagement strategies, and to the engagements themselves.

Achieved: The Vale group held a meeting to establish its engagement strategy, and the Anglo American group held its first meeting with the company. Anglo American appeared to be very receptive to a meeting with the group, and the meeting was cordial. LAPFF contributed content to the questions posed at the meeting.

In Progress: LAPFF has been asked to become a lead investor in the Vale group given its work in Brazil and has accepted this invitation. It will continue to work with both the Vale and Anglo American groups to engage the companies and push for meaningful human rights improvements.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF met with Sanwa Holdings and Kamigumi Co in April. Although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their company wide, and senior level diversity efforts.

In Progress: The Group has continued to extend its outreach to companies outside of the UK, with LAPFF set to lead on engagements through the Group's Global Workstream subgroup.

STAKEHOLDER ENGAGEMENT

OECD Forum on Responsible Supply Chains

Objective: LAPFF was asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil and, more broadly, its engagement with stakeholders affected by mining operations. It was also useful to engage with the other panellists to understand their work and perspectives better.

Achieved: LAPFF was approached by a number of event participants after its presentation. These participants stated that they were impressed with LAPFF's work in this area and wanted to learn more about LAPFF's experience.

In Progress: LAPFF is continuing to engage with these contacts and others made through them to explore

STAKEHOLDER ENGAGEMENT

opportunities to develop this work stream further.

Mining Communities and Workers

Objective: Communities affected by mining operations always approach LAPFF in the run up to mining company AGMs. LAPFF's aim in meeting with them is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. This information then feeds into questions LAPFF poses at company AGMs and company meetings.

Because LAPFF has been engaging with these communities for a number of years now, much of the engagement is focused on updates from community members about mining impacts. However, there are sadly always new communities and new concerns arising from community experiences. LAPFF is keen to learn about the perspectives of these new communities too.

LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

Achieved: LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries reported their concerns about Glencore's practices.

LAPFF attended a webinar to hear about the Amazon shareholder resolution on freedom of association and collective bargaining. There were Amazon workers on the call who spoke about their experiences and views about Amazon's work place practices. This webinar informed the content of LAPFF's voting alert for Amazon.

In Progress: LAPFF is continuing to meet with representatives of all of these communities on a regular basis to obtain updates for company engagements. In LAPFF's experience, the companies are receptive to the information conveyed. The ultimate goal, though, is to ensure that company practice on human rights and the environment meets community needs so that it can create the conditions for more sustainable shareholder returns.

Uyghur activists and other supporters gathered on Parliament Square

Uyghur Forced Labour in Green Technology Supply Chains

Objective: This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. Within this, Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology, such as electric vehicles and solar panels. The project aims to provide guidance on how investors can address the risk of Uyghur forced labour and other affected peoples in green technology holdings.

Achieved: LAPFF took part in an initial consultation process for the project, looking at the Forum's understanding of forced labour in these sectors. LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, taking an in-depth look at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at potential avenues to move forward.

In Progress: LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

CONSULTATION RESPONSES

UN Working Group on Business and Human Rights

Objective: The UN Working Group on Business and Human Rights ran a consultation this quarter on extractives, human rights, and the just transition. LAPFF has been working heavily in all three of these areas so was keen to share its views and experiences.

Achieved: LAPFF submitted a consultation response that expressed support for good human rights and environmental due diligence legislation and emphasised the need for improved stakeholder engagement by extractive companies. LAPFF welcomed the opportunity to respond, appreciating the consultation's recognition that both state and business actors have imperatives to act effectively on these issues. LAPFF's response called for mandatory reporting on climate plans to cover just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

WEBINARS/MEDIA

In Progress: LAPFF will continue to look for opportunities to respond to consultations when it believes it can contribute helpfully based on its engagement and policy experience.

LAPFF WEBINARS

All-Party Parliamentary Group

In early April, the LAPFF-supported APPG on Local Authority Pension Funds held a meeting with LGPS minister, Lee Rowley MP, accompanied by a senior civil servant from the Department for Levelling Up, Housing and Communities.

The meeting focused in large part on the proposed consultations on LGPS pooling and investment in illiquid assets. The minister indicated the government's preference would be for a voluntary approach to both issues and stated that the pooling consultation would be published in the coming months. On the matter of TCFD reporting, because the department received so many responses to its consultation, it was suggested that reporting requirements may not come into force until the following financial year.

The APPG also met at the end of June to discuss the LGPS and investment in illiquid assets. In the 2023 Budget, the government stated that it would: "Consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets."

On the back of the proposed consultation, the meeting heard from the Karim Palant (director of External Affairs) and Garry Wilson (chairman) of the British Private Equity & Venture Capital Association (BVCA) who highlighted the opportunities of such investment. The meeting also heard from Andrew Williamson of Cambridge Innovation Capital on the growth of venture capital. Sian Kunert, Head of Pensions at East Sussex Pension Fund and LAPFF Executive member, outlined what her fund was already doing and the opportunities and challenges of investing in illiquid assets.

LAPFF/IndustriALL Garment Workers Webinar

LAPFF again partnered with IndustriALL to host a webinar on the importance of concluding negotiated, binding agreements rather than relying on voluntary, business-driven standards to reduce both human rights risk and business risk. The webinar was chaired by LAPFF Vice Chair, Cllr John Gray, and included speakers from Due Diligence Design, Aviva Investors, IndustriALL Global Union, and the Bangladesh Garment & Industrial Workers Federation (BGIWF).

MEDIA COVERAGE

Climate

Financial Times: Only 5% of FTSE100 companies have 'credible' climate transition plans, says EY
Reuters: UK's LAPFF recommends vote for BP climate activist resolution at AGM
CNBC: Oil major BP braces itself for shareholder revolt after scaling back its climate targets
Minuto Mais [Portuguese]: BP to quell shareholder anger after climate strategy flip
Reuters: Shell shareholders urged by LAPFF to back climate activist's resolution
Syndicated in Canada's Financial Post and Globe and Mail
The Times: Climate backlash from Shell investors
The MJ: Shell hits back after council fund criticism
Offshore Technology: LAPFF urges Shell shareholders to back climate resolution
Net Zero Investor: Shell's upcoming AGM showcases the challenges for shareholder activism
CNBC: Oil giant Shell braces for shareholder revolt over climate plans
Reuters: Analysis: Shell faces tense shareholder meeting as profits and climate collide
Capital Monitor: How investors voted on climate change at Big Oil AGMs

Plastics

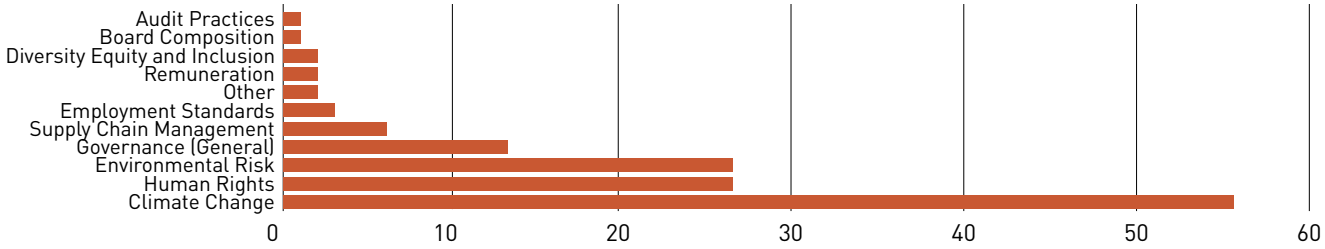
Business Green: Investors sound alarm over weak corporate plastic pollution policies

Mining and Human Rights

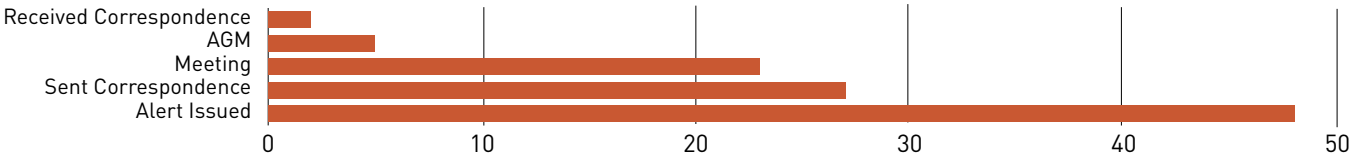
Daily Mail: BHP blasted over clean-up of deadly mine disaster
Legal Future: Supreme Court will not hear appeal on largest-ever group action
The Times: Mindful miner Jakob Stausholm is trying to dig Rio Tinto out of a hole

ENGAGEMENT DATA

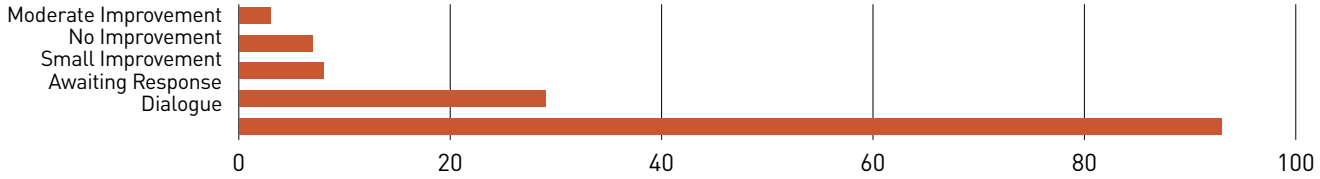
ENGAGEMENT TOPICS



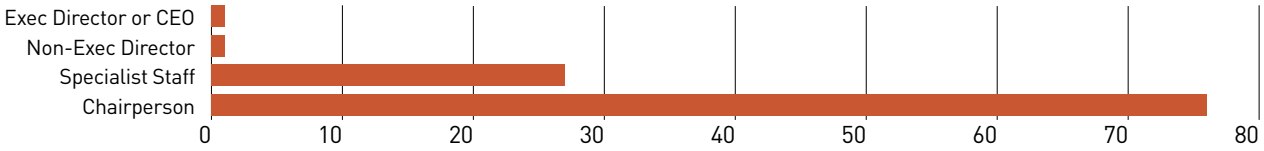
ACTIVITY



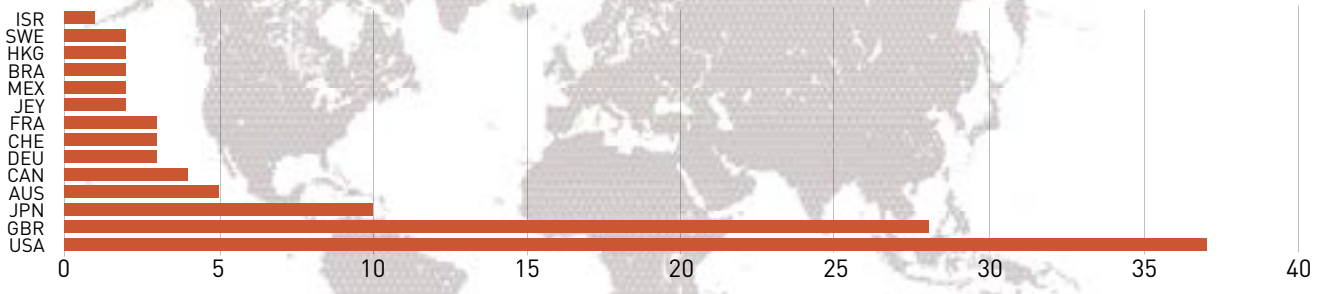
MEETING ENGAGEMENT OUTCOMES



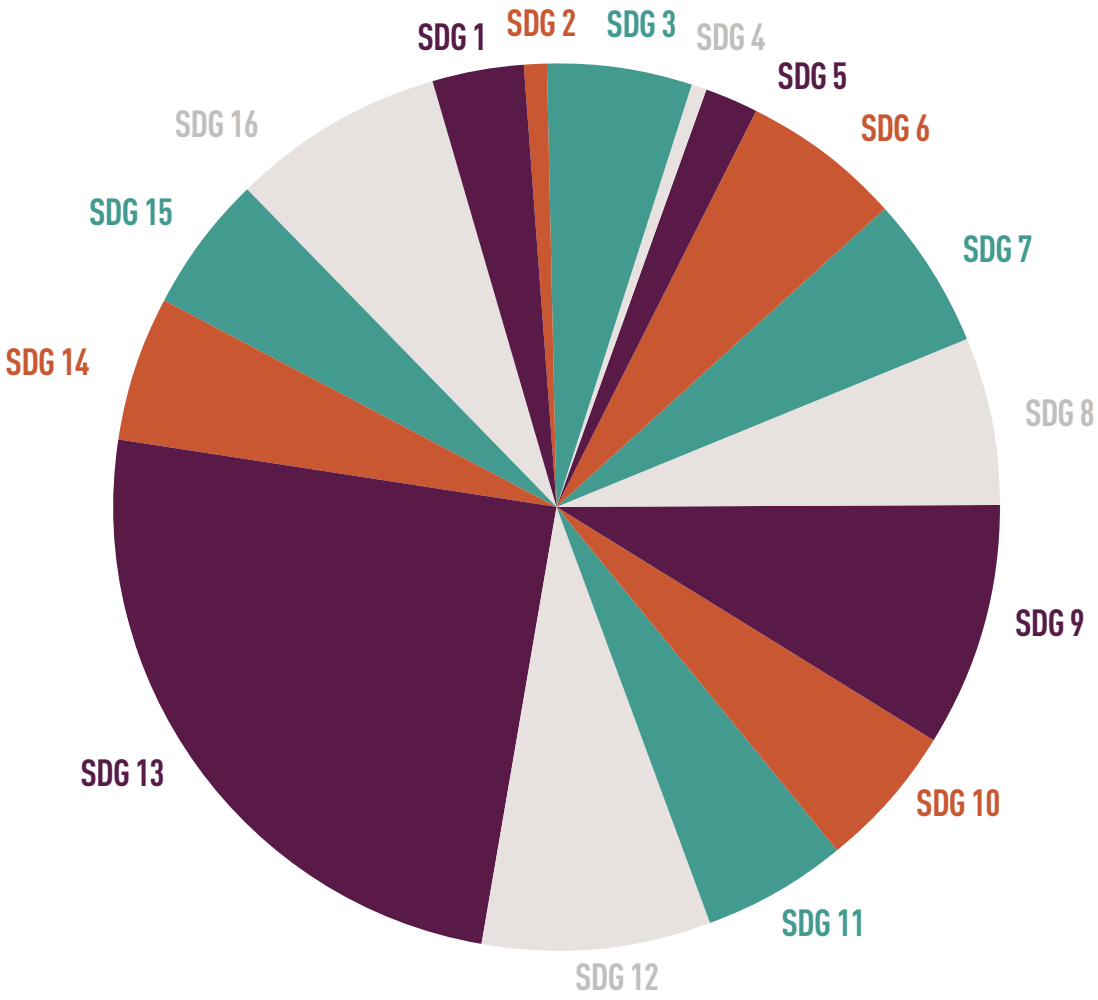
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

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SDG 7: Affordable and Clean Energy	16
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SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
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COMPANY PROGRESS REPORT

LAPFF engaged 84 companies during the quarter

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Meeting	Supply Chain Management	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMEREN CORPORATION	Alert Issued	Climate Change	Dialogue
ANGLO AMERICAN PLC	AGM	Human Rights	Dialogue
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	Small Improvement
BORGWARNER INC	Alert Issued	Climate Change	Dialogue
BP PLC	Alert Issued	Environmental Risk	Dialogue
BRIDGESTONE CORP	Meeting	Board Composition	Small Improvement
CENOVUS ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Social Risk	Awaiting Response
CHEVRON CORPORATION	Alert Issued	Climate Change	Dialogue
CHUBB LIMITED	Alert Issued	Climate Change	Dialogue
CK HUTCHISON HOLDINGS LTD	Sent Correspondence	Environmental Risk	Awaiting Response
COMCAST CORPORATION	Alert Issued	Climate Change	Dialogue
COSTAR GROUP INC	Alert Issued	Climate Change	Dialogue
COTERRA ENERGY INC	Alert Issued	Climate Change	Dialogue
DBS BANK LTD	Meeting	Climate Change	Dialogue
DOLLARAMA INC	Alert Issued	Climate Change	Dialogue
DRAX GROUP PLC	AGM	Governance (General)	Dialogue
E.ON SE	Sent Correspondence	Social Risk	Awaiting Response
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Social Risk	Awaiting Response
ELECTRIC POWER DEVELOPMENT CO	Alert Issued	Climate Change	Dialogue
ENBRIDGE INC	Alert Issued	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	Dialogue
GLENCORE PLC	Alert Issued	Human Rights	Dialogue
GRUPO MEXICO SA DE CV	Sent Correspondence	Human Rights	Dialogue
GSK PLC	Sent Correspondence	Climate Change	Awaiting Response
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HONEYWELL INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
HSBC HOLDINGS PLC	Alert Issued	Governance (General)	Dialogue
IBERDROLA SA	Sent Correspondence	Social Risk	Awaiting Response
IDEX CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
IMPERIAL OIL LIMITED	Alert Issued	Climate Change	Dialogue
JPMORGAN CHASE & CO.	Alert Issued	Climate Change	Dialogue
KAMIGUMI CO LTD	Meeting	Diversity Equity and Inclusion	Small Improvement
KELLOGG COMPANY	Meeting	Other	No Improvement
KINGFISHER PLC	Meeting	Employment Standards	Moderate Improvement
LINDT & SPRUNGLI AG	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	Dialogue
MARATHON PETROLEUM CORPORATION	Alert Issued	Climate Change	Dialogue
MARKEL CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
META PLATFORMS INC	Alert Issued	Human Rights	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Alert Issued	Climate Change	Dialogue
NATIONAL GRID PLC	Alert Issued	Climate Change	Dialogue
NEW YORK COMMUNITY BANCORP INC	Alert Issued	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
NIKE INC.	Sent Correspondence	Human Rights	Awaiting Response
NINTENDO CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
PACCAR INC.	Alert Issued	Climate Change	Dialogue
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
PUBLIC STORAGE	Alert Issued	Climate Change	Dialogue

COMPANY PROGRESS REPORT

QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	Dialogue
RAYTHEON TECHNOLOGIES CORP	Alert Issued	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	AGM	Human Rights	Dialogue
ROCHE HOLDING AG	Sent Correspondence	Environmental Risk	Awaiting Response
SANOFI	Sent Correspondence	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	No Improvement
SOUTHERN COMPANY	Alert Issued	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	Dialogue
TESLA INC	Alert Issued	Human Rights	Dialogue
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	Dialogue
THE HOME DEPOT INC	AGM	Human Rights	No Improvement
THE MOSAIC COMPANY	Alert Issued	Climate Change	Dialogue
THE TJX COMPANIES INC.	Sent Correspondence	Environmental Risk	Awaiting Response
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	Dialogue
TOKYO ELECTRIC POWER CO INC	Alert Issued	Climate Change	Dialogue
TOTALENERGIES SE	Alert Issued	Climate Change	Dialogue
TOYOTA MOTOR CORP	Meeting	Climate Change	Small Improvement
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Environmental Risk	Dialogue
VALERO ENERGY CORPORATION	Alert Issued	Climate Change	Dialogue
VOLVO AB	Sent Correspondence	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	Dialogue
WELLTOWER INC	Alert Issued	Governance (General)	Dialogue
WH GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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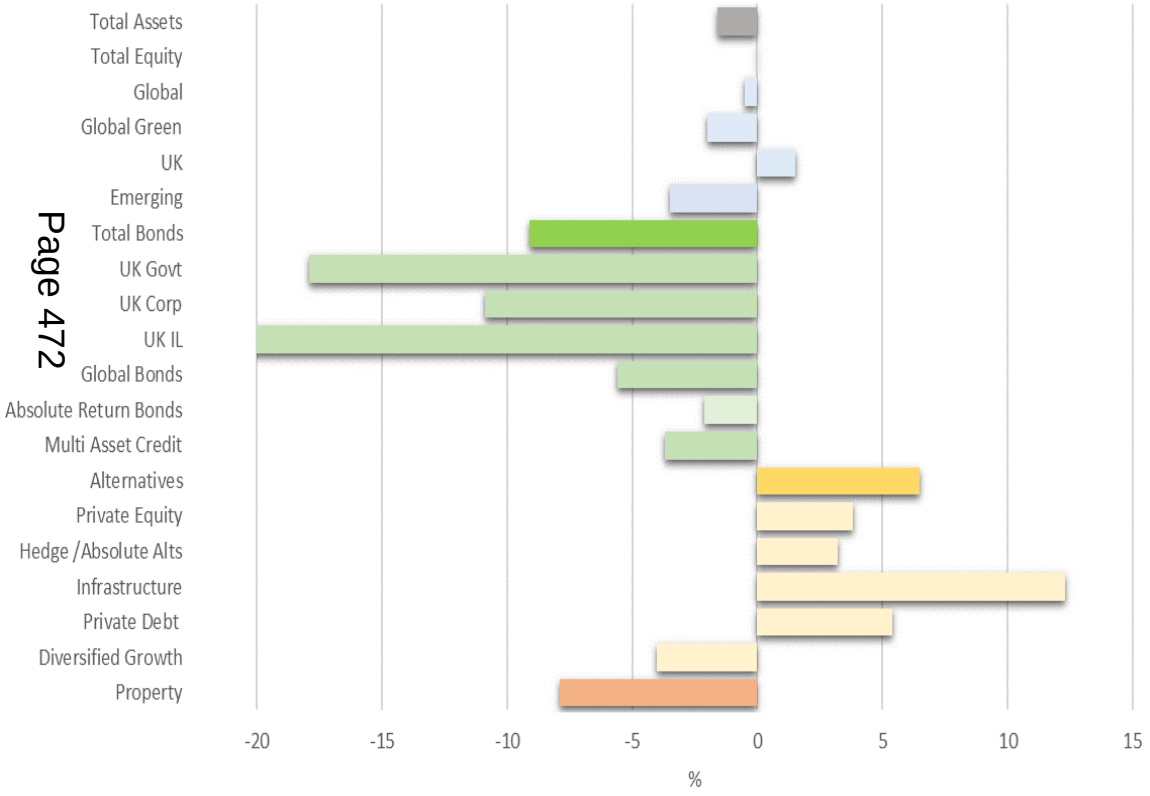
Brent Pension Fund
Performance to March 2023

Karen Thrumble
Head of Local Authority Pension Performance Analytics

The Latest Year



A good year for alternative investments, the only area to deliver positive results.

Equity performance was flat – and most active managers failed to add value.

Bond performance was deeply negative with diversified strategies performing least badly.

Property saw a strong decline in values over the year.

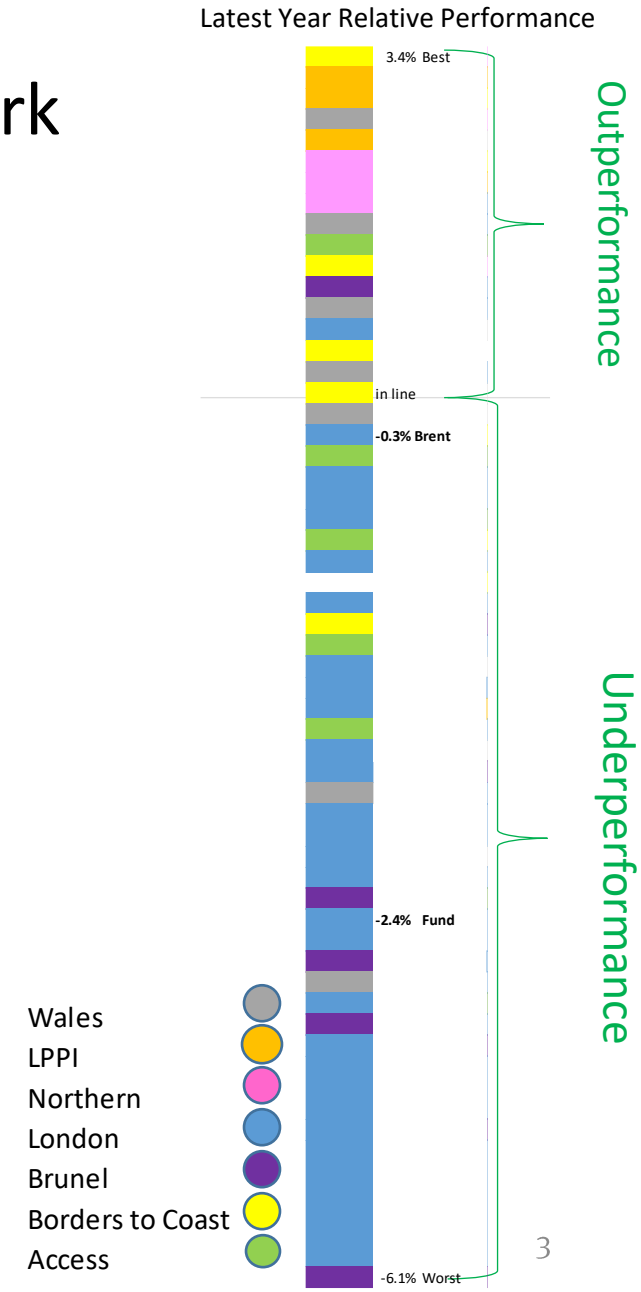
Performance Relative to Benchmark Latest Year

Performance relative to other funds will depend on two factors:
The benchmark set
Performance relative to that benchmark

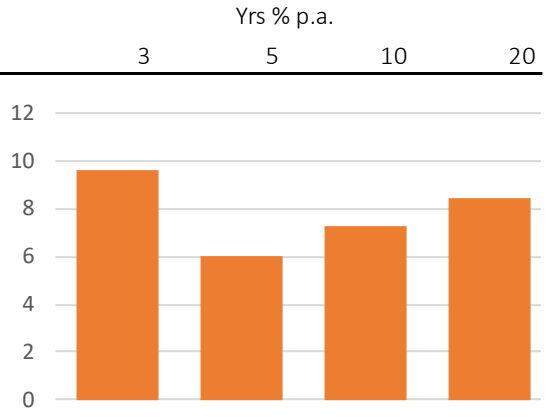
While pooling won't impact the former it should now be having an effect on the latter.

In the latest year three quarters of funds failed to outperform their strategic benchmark.

Only one London Fund outperformed.
Conversely funds within LPPI and the Northern pool all outperformed.



Longer Term Results



	3	5	10	20
Total Assets	**9.6**	**6.0**	**7.3**	**8.4**
Equity	**14.5**	**7.6**	**8.8**	**10.0**
Global	*14.9*	*8.4*	*10.0*	*6.4*
UK	*13.1*	*4.8*	*6.0*	*8.3*
Overseas	*14.2*	*7.6*	*9.6*	*10.6*
Emerging	*8.6*	*2.2*	*4.8*	*10.0*
Bonds	**-0.9**	**0.3**	**2.6**	**4.5**
Cash	0.9	0.6	0.7	1.0
Alternatives	**11.6**	**10.3**	**9.8**	**8.5**
Private Equity	*17.1*	*15.7*	*13.9*	*9.0*
Hedge Funds	*6.4*	*3.9*		
Infrastructure	*8.0*	*8.2*		
Property	**2.9**	**3.2**	**6.8**	**6.0**

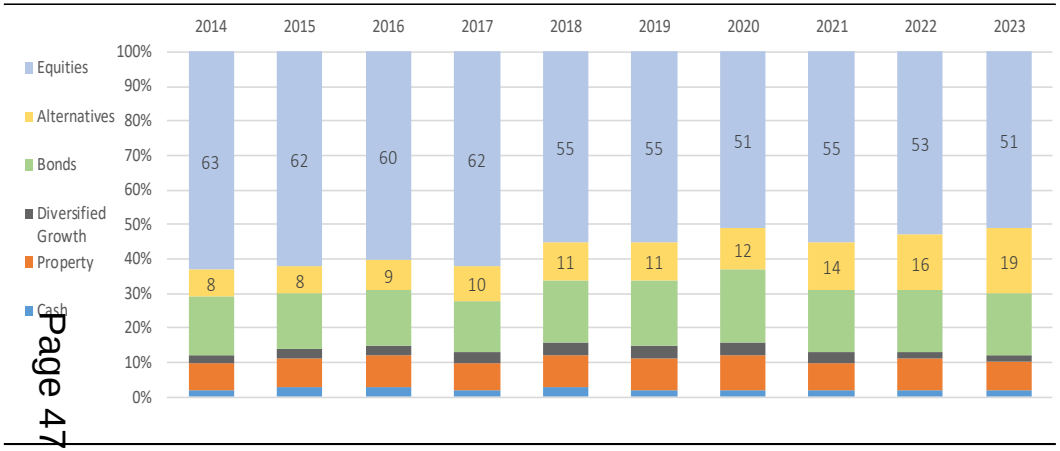
The best results (green) over the longer term were delivered by equities.

Over the medium-term alternatives have performed best, driven by excellent private equity results over all periods. Infrastructure has also delivered strong returns.

Property performance has been poor over the recent past.

Bonds, the worst performing of the major asset classes (in red), have now delivered a return below CPI over the last ten years.

Fund Structures



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Global Equities	6	7	12	30	34	33	33	35	35	36
UK Equities	24	21	20	14	12	11	9	9	7	6
Overseas Equities	33	33	28	13	9	11	10	12	10	9
UK Govt / Inv Grade	13	13	13	8	9	9	10	8	8	8
Overseas Bonds	3	2	2	3	3	2	2	2	1	1
Absolute Return Bonds	1	1	2	3	4	4	5	5	4	3
MAC	0	0	0	1	2	3	3	3	4	5
Private Debt	0	0	0	0	0	0	1	2	2	2
Private Equity	4	4	5	5	5	5	5	7	8	8
Infrastructure	0	0	1	2	3	3	4	5	6	7
Hedge Funds	2	2	2	2	2	2	2	1	2	2
Diversifying Alts	1	2	1	1	1	1	1	1	1	1
Diversified Growth	3	3	3	3	4	4	4	2	2	2
Property	8	8	9	8	9	9	10	8	9	9
Cash	3	3	3	2	3	2	1	3	2	2

Funds have reallocated 12% of total assets from equities into alternatives over the last decade.

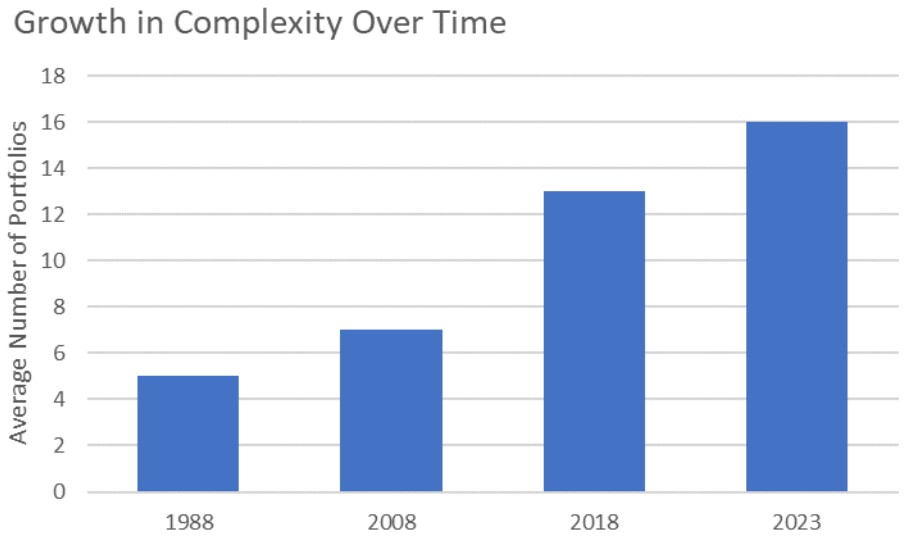
This has been the key structural change.

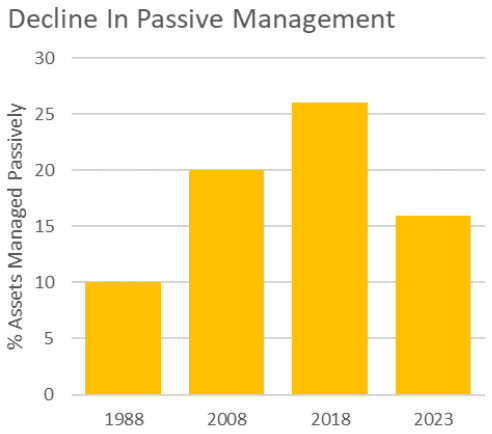
Infrastructure has emerged into a significant proportion of assets.

2016/17 was a pivotal year in terms of equity management away from regional to global mandates.

This was also the year funds really began to diversify bond exposure away from government to alternative forms of credit.

Complexity





The top chart shows funds have continued to become ever more complex. Pooling has made little impact.

Brent, with 15 Portfolios is in line with average.

Increased complexity brings increased administration, cost and governance.

Passive management, the lowest cost of investment strategies has declined as funds continue to believe in active management despite the evidence of poor returns.

Brent has 57% in passive management, keeping costs down and reducing active management risk.

Fund Performance

Latest Year Range of Results

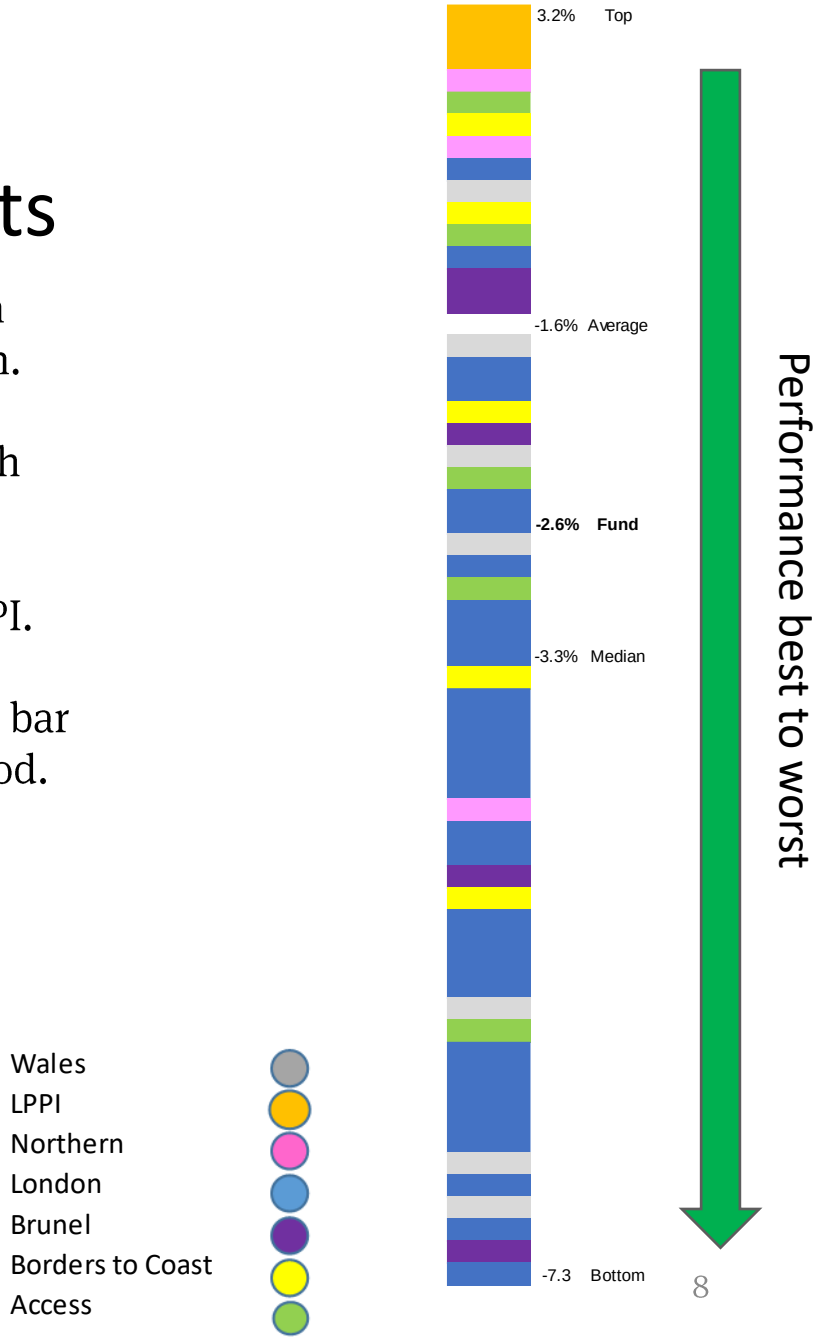
The blocks on the right show the funds listed from that with the highest to that with the lowest return.

The Fund, with a return of -2.6% ranked in the 38th percentile.

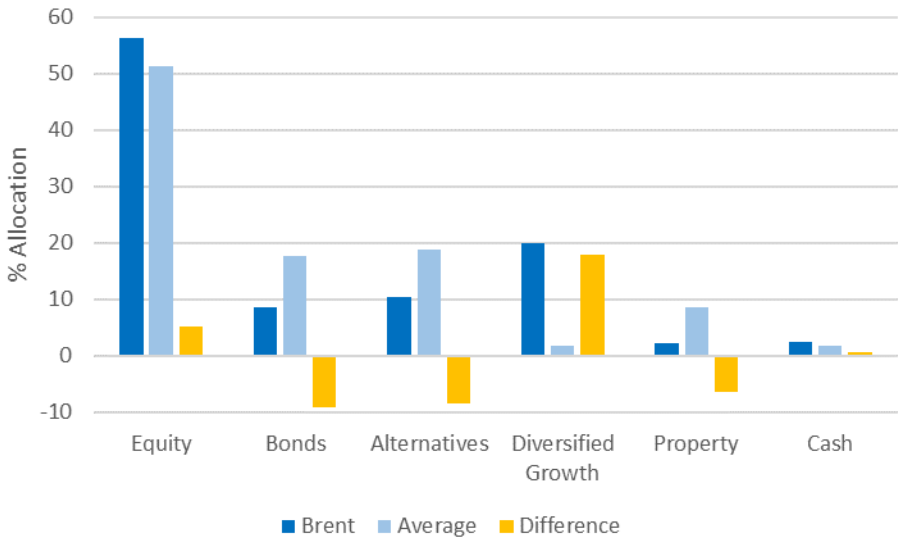
All top three funds this year (in green) were in LPPI.

London funds performed relatively poorly with all bar one underperforming its benchmark over the period.

Large funds had a strong year with 6 of the 7 top performers being over £5bn in value. The smallest funds largely delivered bottom quartile results.



How Differently Was The Fund Structured?



The Fund has a higher allocation to equities and a much higher allocation to diversified growth.

It has a commensurately lower exposure to bonds, alternatives and property.

Unusually, last year this allocation had a broadly neutral impact on the relative performance.

Latest Year Asset Class Results

	Fund	Universe	Relative	*Ranking*
Fund	**-2.6**	**-1.6**	**-1.0**	***38***
Asset Class Performance				
Equity	-0.6	0.0	-0.6	*35*
Bonds	-20.5	-9.1	-12.5	*90*
Alternative:	13.1	6.5	6.2	*17*
Diversified	-4.4	-4.0	-0.4	*65*
Property	-11.9	-7.9	-4.3	*65*

The Fund had a below average result in most areas last year.

The well below average result from bonds had the largest impact with the Fund suffering from holding long dated index linked securities.

Longer Term Performance

Fund Performance

	3 yrs	5 yrs	10 yrs	20yrs
Fund	8.7	5.8	6.6	6.4
Average	9.6	6.0	7.3	8.4
Relative	-0.8	-0.2	-0.6	-1.8
Ranking	*63*	*48*	*76*	*100*

Equity Performance

	3 yrs	5 yrs	10 yrs	20yrs
Fund	15.5	8.9	9.1	8.7
Universe	14.5	7.6	8.8	10.0
Relative	0.9	1.2	0.3	-1.2
Equity Ranking	*17*	*19*	*37*	*100*

Recent performance has been mixed but the Fund remains close to average over the last five years.

Longer term the Fund still trails the Universe average.

Equity selection has been key – the poor performance has been turned around in the last decade and has driven the much-improved overall Fund result.

However, the high commitment to Diversified Growth has had a drag on the overall result.

In Summary

LGPS had a challenging year. Like most others, the Brent Fund delivered a negative return.

The key structural difference between this and other funds is the high level of diversified growth held. This has reduced the return delivered.

Despite the mixed recent performance the Fund remains in line with average over the last five years and has improved significantly over the last decade.

This fund has retained a higher proportion of passive management than its peers which should have a positive impact on cost.

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