

	Pension Board 5 August 2020
	Report from the Independent Chair of Council's Pensions Board
Annual Report	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	David Ewart, Independent Chair of the Pension Board

1.0 Purpose of the Report

- 1.1 This report provides a summary of the work carried out by the Council's Pensions Board. The report covers the period from the Boards meeting in June 2019 to the end of 2019/20 Municipal Year. It presents details of the Board members, training and items covered during the Board's meetings. It also raises a number of items the Board wishes to draw to the Councils attention.

2.0 Recommendation(s)

- 2.1 The Committee is asked to note the annual report, and agree to submit it to the General Purposes Committee.

3.0 Detail

Introduction

- 3.1 I should like to begin the by expressing my thanks to the other members of the Board, particularly Sebastian Steer who has stood down from membership. I should also like to thank the Council's officers for all their hard work, help and support in developing the work of the Board.

The Board Membership

- 3.2 The membership of the Board during the year was as follows:

Brent Council employer representatives - Councillors Crane and Kabir
Trade Union representative – Unison – Bola George
Trade Union representative – GMB – Robert Wheeler
Employer representative - Vacant.
Pension Scheme member – Chris Bala
Independent Chair – David Ewart

The Board's Training

- 3.3 Training is important to ensure the Pension Board, as a whole, have the appropriate skills, knowledge and understanding to support the Scheme in running effectively. During 2019/20 the Board built on the training it had received since 2015/16, with additional briefings made available to new members. A bespoke training session was delivered to the board by the Fund actuary, Hymans, at its June meeting. In addition, board members have been regularly invited to training provided to the Pensions Sub-Committee on various topics including investment matters, risk management and governance.
- 3.4 The Pensions Regulator (TPR) provide free online learning via the Trustee toolkit programme and it is expected that all Pension Board members complete such courses. The courses cover basic knowledge and understanding required by law to support the scheme manager. These courses are free, easy to use and allows one to learn at their own pace.

The Board's Meetings

- 3.5 During the year, the Board met twice, on 13th June and 22nd October 2019. The meeting schedule on 25th March 2020 was postponed due to the Covid-19 Pandemic.

Key Issues identified from the Board's discussions during the year

Transfer of the Pensions Administration Contract

- 3.6 A decision taken around November 2017, following officers' recommendation, Cabinet granted approval to enter into a shared service agreement with Local Pensions Partnership (LPP) for the provision of the pension fund administration. The previous contract with Capita concluded in September 2018 and in October 2018, the implementation phase of the contract took place to ensure a successful transition and hand over. In addition, responsibility for pension's administration transferred to the Finance department combining with the work of the investment function, which has resulted in significant service improvements.
- 3.7 The Board is pleased to note from reports at both its meetings on the performance of the administration services provided for members with target

timescales being largely achieved and other marked improvements in the services provided. It was noted that a number of legacy issues remained to be resolved particularly from long outstanding queries and missing leaver records. Officers continue to conduct strict contract management with LPP and monitor performance on a monthly basis against a series of service level agreements, which are also reported to the board.

- 3.8 In addition to the business as usual (BAU) contract arrangements described above, a separate project had been commissioned to cleanse common and scheme specific (conditional) data. This includes the resolution of any outstanding queries. This was treated as a separate project so that additional dedicated resources could be put in place, to ensure the existing data issues were resolved in a timely manner and to not impact performance against the day to day service. The Board is pleased to note that most of the work streams under this project had been completed by its June 2019 meeting.

Risk Management

- 3.9 The Board has continued to receive an updated, detailed and tailored risk register at each of its meetings supplied together with a risk strategy at its October meeting. The Board is particularly grateful for this, as effective risk management is a key foundation for sound corporate governance. It is noted that for the LGPS, the focus should be on all aspects of the scheme's operation, not just investment matters, which is carefully considered by the Pensions Sub-Committee meetings.

The Pension Administration Strategy

- 3.10 The Board continues to receive updates on the Pension Administration Strategy at each of its meetings and has considered a number of issues raised including:
- Members communication strategy;
 - Conflict of interest policy;
 - Brent's breaches policy;
 - The statutory guidance on annual benefits statements
 - The Data Cleanse project.
 - The Record Keeping Plan
- 3.11 Members have also considered the position around complaints, which is continuing to be monitored due to delays from previous arrangements and a number of complex cases which has resulted in delay to resolve some complaints. Members have also requested assurances that lessons learned from these cases are considered appropriately and reported to the board on regular basis

Annual Benefit Statements

- 3.12 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.
- 3.13 The Board was pleased to note at its October meeting, that there were only a small number of records where queries from year end returns had not been resolved in time for members to receive an ABS. This was primarily due to employers experiencing delays in supplying of relevant information. The vast majority of those employers were schools which were closed over the summer months and were unable to respond to LPP's queries in a timely manner.
- 3.14 The Board was further updated that 34% of the outstanding queries had been resolved and ABS issued to members. It was expected that all queries would have been resolved by the end of March 2020.
- 3.15 The Board was also informed that progress was being regularly monitored and tracked as part of the monthly contract management and performance meetings with LPP. This was a marked improvement over previous years where the Council had had to report a breach to The Pensions Regulator.

The Pensions Regulator (TPR)

- 3.16 A presentation from The Pension Regulator (TPR), at the Board's March 2019 meeting focussed on the TPR's expectations and responsibilities of the Pension Board and Scheme Manager.
- 3.17 Expectations of Board members included forming a basis of knowledge and understanding on scheme rules, administration, policies, conflicts of interest, publishing of information, recording of meetings and decision making.
- 3.18 The Board was also informed that TPR had been carrying out a detailed engagement with the Council as a Scheme Manager. As at the March 2019 meeting, five meetings had been held between Council and TPR officers.
- 3.19 The Board was pleased to be notified that TPR had written to the Scheme manager confirming closure of their enquiry and no further action was to be taken against the Council as Scheme Managers.
- 3.20 The Board was informed at its October meeting that The Pensions Regulator's (TPR) had held wider engagement sessions with Local Authorities. During this meeting, the Board were informed that the review had commenced due to TPR identifying slower levels of improvements across most LGPS funds and therefore, wanted to gain a better understanding of the reasoning. The reviews and sessions with TPR, covered various risk areas including the following:
- Administration, data and communication.
 - Internal controls and complaint handling.
 - Contributions, employer compliance and funding affordability.

- Pension Board knowledge and understanding, relationship between Board and Scheme manager and conflicts of interest.
- Fraud, mitigation of scams and cyber security.

These meetings gave TPR a strong insight into current governance, administration practice and standards of LGPS funds in general. As a result, a number of recommendations were made across each element.

2019 Triennial Valuation Results and Funding Strategy Statement

- 3.21 The Board was due to receive a report on the outcome of the 2019 Triennial Valuation at the March 2020 meeting. Members of the Board were aware from previous reports that the Fund is required by law to undertake an actuarial valuation every three years. All funds in the England and Wales are required to carry out a valuation as at 31 March 2019. The purpose of the valuation was to value the assets and liabilities of each individual employer and the pension fund as a whole, with a view to setting employer contribution rates. This will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement (FSS).
- 3.22 The Board would have been informed that, Hymans Robertson, the Fund's actuary who had attended the October 2019 meeting of the Pension Fund Sub Committee, had outlined the valuation process, the assumptions used and the initial results. During this meeting, the Committee were given a presentation of the whole fund results including the funding level, assets, liabilities and the overall deficit level. It was also explained that different employers within the Fund would have different funding levels due to the profile of their members and contribution rates in the past.
- 3.23 Since the meeting, draft valuation results schedules, which set the contribution rate for each employer for the next three financial years, have been produced for the Council and employers within the Fund. The draft valuation report was provided as a restricted document. This summarised the process that has taken place while presenting the valuation results, funding position and employer contribution rates for 2020/21 to 2022/23.
- 3.24 The Board was pleased to note that the data used for the valuation was much improved compared to the last valuation in 2016. The funding levels were also markedly improved (from 55% to 78%) which had allowed officers to propose freezing the Council's contribution rate at 35% of pay for next three financial years and stabilised thereafter.
- 3.25 The Board would also have been informed that at the October 2019 Sub Committee meeting, the Committee had agreed the draft Funding Strategy Statement (FSS), a document detailing how employer contributions to the Pension Fund are calculated. This document is updated in line with the triennial valuation to ensure consistency for consultation with employers. An employer forum was organised by officers to launch the consultation and hold 1-1 meetings with certain employers. It is also worth noting that the draft results were produced five months earlier than the previous draft valuation results in

2016. This allowed for more time for consultation with employers as well as demonstrating significantly improved systems of financial control and project management.

Other Matters Considered

3.25 Including the above, the Board considered a number of other issues while also reviewing the reports presented to the Brent Pensions Sub-Committee. Key items included:

- The 2018/19 Annual Accounts and Report.
- LGPS Updates.
- Terms of Reference.
- Investment Strategy.
- Responsible Investment reports further integrating Environmental, Social and Governance (ESG) factors.

4.0 Matters drawn to the Council's attention

4.1 As a result of discussions held, the Board would like to draw the following matters to the Council's attention:

- The Fund's funding level - The Board is pleased to note improvement in the Brent Pension Fund's funding level as shown by the 2019 actuarial valuation and the performance of the Fund's investments particularly in 2019/20 (prior to the Covid-19 outbreak). The Board however notes that The Council should continue to monitor the contribution rates agreed from March 2020, to bring the level of funding back to full funding over the recovery period.
- The Performance of the Pension Fund Administration Function - The Board are very pleased to note the current level of improvement in the services provided to its members. This is a matter no longer required to draw to the Council's attention, but the Board would like to express thanks to all those involved in achieving this position. That being said, there is a need to continue and build on the work undertaken to date to seek further improvements with regards to the quality of member data, engagement with employers and the general governance and administration of the scheme. The Pension Board will of course have a fundamental role to play in this regard

5.0 Conclusion

5.1 I would like to conclude by again thanking the members of the Board for their input and assistance during the year and particularly the member that has stood down. I would also like to thank the Head of Finance and their staff for all their help and support during the year, as well as the Governance Office and his colleagues for all their support to the Board during the year.

6.0 Financial Implications

7.1 Not applicable.

7.0 Legal Implications

7.1 Not applicable.

8.0 Equality Implications

8.1 Not applicable.

9.0 Consultation with Ward Members and Stakeholders

9.1 Not applicable.

10.0 Human Resources

10.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance