



MINUTES OF THE PENSION BOARD

Held as an online virtual meeting on Wednesday 5 August 2020 at 6.00 pm

PRESENT:

Independent Member	Mr David Ewart (Chair)
Council Members	Councillor George Crane
	Councillor Sandra Kabir
Unison Members	Ms Bola George
	Mr Robert Wheeler
Scheme Member	Mr Chris Bala

1. **Apologies for absence**

Received from Councillor Aden.

2. **Declarations of interests**

None declared.

3. **Minutes of the previous meeting**

RESOLVED:

That the minutes of the last meeting held on 22nd October 2019 be approved as an accurate record.

4. **Matters arising**

None.

5. **Deputation**

None.

6. **2019 Triennial Valuation Results and Funding Strategy Statement**

This report set out the results of 2019 triennial actuarial valuation and the Funding Strategy Statement (FSS) for consideration and approval. In introducing the report, Sawan Shah (Senior Finance Analyst) referenced the background to the valuation process including the presentation at the meeting in October 2019 at which Hymans Robertson (Fund's Actuary) gave a presentation on the valuation process, the assumptions used and the initial results.

Since that meeting the 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 for most employers within the Fund. Most employers within the Fund had been informed about this. He drew Members' attention to the draft valuation report, attached in restricted Appendix 1 that summarised the process, the valuation results, funding position and employer contribution rates for 2020/21 to 2022/23. In line with the valuation process, the Council commissioned a contribution rate modelling exercise to allow officers to consider a long term funding strategy for the stabilised employers within the Fund, that is, Brent Council, academies and local authority schools.

Based on the modelling results and discussions with the fund actuary, officers proposed to freeze contribution rate at 35% of pay for next 3 years and stabilised thereafter at +/- 1% per annum to take account of risks on the 16 or 19 year time horizon. The Fund actuary had agreed this proposal. He drew Members' attention to the restricted Appendix 2 that set out the full contribution rate modelling report. He continued that as part of the valuation, the council was considering paying a large part of its employer contributions upfront as a lump sum. A report commissioned by the Fund actuary to model a number of options, set out further in Appendix 3, concluded that there was an economic benefit to the Council in considering this without negative impact on the pension fund. This proposal, quite common across a number of LGPS funds, would require advance clearance with the Council's auditor and subject to independent advice. Officers envisaged that a decision on this in early March 2020, so that it could be reflected in the formal valuation.

Ms Anna McCormack (Senior Pensions Manager) updated members on the abatement policy, following the Board's decision to consult with members. She added that the policy that affected only 7 recipients had gone live since April 2020.

With no further issues to be raised, the Chair thanked all officers for the updates and it was;

RESOLVED:

- (i) That the draft valuation report be noted and agree that delegated authority be granted to the Director of Finance to finalise the report before 31 March 2020.
- (ii) That the contribution rate for the next three financial years, 2020/21, 2021/22 and 2022/23 for Brent Council be approved as 35.0% as set out in section 3.8 of this report and Appendix 2.
- (iii) That delegated authority be granted to the Director of Finance to finalise details of the advance payment of Brent Council's employer contributions and the subsequent impact on the rates and adjustment certificate, as set out in section 3.9 of this report and Appendix 3.
- (iv) That the Funding Strategy Statement (FSS) as set out in section 3.13 of this report and Appendix 4 be approved.

7. Chair's Annual Report

This report provided a summary of the work carried out by the Council's Pensions Board for the period June 2019 to the end of 2019/20 Municipal Year. The report presented details of the Board members, training and items covered during the

Board's meetings. It also raised a number of items the Board wishes to draw to the Councils attention.

The Chair expressed thanks to the other members of the Board for their contribution and officers for their guidance and steer in organising a series of training sessions for Board members. He then highlighted the key issues identified from the Board's discussions during the year report including the following;

- Transfer of the Pensions Administration Contract.
- Risk Management.
- Pension Administration Strategy.
- Annual Benefit Statements.
- 2019 Triennial Valuation Results and Funding Strategy Statement.

Members welcomed the report and with no further issues being raised, it was;
RESOLVED:

The Board note the annual report, and agree to submit it to the General Purposes Committee.

8. Pensions Administration Update

This report updated the Pensions Board on various pensions administration matters as part of the Board's remit to oversee the administration of the Brent Pension Fund. With reference to the tables within the report, John Crowhurst (Operations Director, LPP) informed the Board about the following salient points;
Administration

- The percentage of cases completed on time had remained high with an average of 99.1% of cases being completed on time in June.
- Further details provided in the report showed that overall 85% of the 348 cases completed on time were completed early.

Covid-19

In line with government guidance, the pension administration team were considered key workers as they were 'delivering essential public services such as the payment of benefits. The Pensions Team both LPP and Brent staff have adapted successfully to working from home and all had been encouraged to use web-based channels and email where possible, for non-urgent queries. In line with the guidance issued by The Pensions Regulator (TPR) that administrators focussed their activities on making sure they deliver critical processes, LPP had been prioritising payment to existing pensioners, processing new benefit cases and dealing with bereavement cases.

Annual Benefit Statements.

At the time of dispatch of this report, eight employers which represent 6% of active members in the Fund had not submitted their end of year return. Officers contacted senior management at these employers to ensure that these returns were received promptly and to date all year returns had been received.

Data Cleanse and GAD Valuation

The first phase of the project was completed ahead of submission of membership data for the 2019 triennial valuation. The Fund submitted the data to the

Government Actuary's Department (GAD) in October 2019 and cost cap assessment at 31 March 2020. Ahead of the September 2020 submission, the Fund was carrying out a focussed exercise with a view to clearing a large proportion of the backlog of cases.

Record Keeping Plan (RKP)

The Fund's Record Keeping Plan (RKP) formally documents the actions being taken to review and address the data issues facing the Fund. The RKP was being updated to reflect phase two of the data cleanse project incorporating new activities undertaken including GAD data collection exercise and the tracing of pensioner addresses. The new RKP will be presented to the board at the next meeting.

Internal Audit

During the audit, internal audit identified a number of examples of good practice but no issues of high risk. There were two each of low risk issues and medium risk issues (Terms of Reference for the Pension Fund Sub Committee and vacant posts within the two governing bodies and Absence of a skills matrix for members). In order to address this, recruitment for two vacant posts had commenced and officers had received two expressions of interest to serve as an interview panel member. Mr Ravinder Jassar (Head of Finance) sought a third member and asked that expressions of interest be sent to him for consideration. The Head of Finance also outlined further measures to address the absence of skills matrix. Overall, the scheme manager was pleased with the outcome of this audit and actions taken to address some of the issues identified.

With no further issues to be raised, the Chair thanked all officers for the updates and it was;

RESOLVED:

That the position in relation to annual benefit statements the actions taken by the scheme manager against employers who do not comply with the Pensions Administration Strategy be noted.

9. **LPP Scheme Administration**

Mr John Crowhurst (Operations Director LPP) gave a slide presentation highlighting the following:

- Continued stability in the face of Covid-19 despite some disruption in the move to homeworking. Casework performance of over 99% for Brent in May/June respectively.
- Best ever satisfaction scores since Business Continuity Planning (BCP)
- Helpdesk remote working temporary solution was replaced on 11th June with robust solution delivering enhanced functionality and management reporting.
- All post redirected from our offices and being scanned by a third party supplier, and currently investigating products to enable digital signing of documents.
- Temporary lull in incoming post, email and call volumes experienced whilst people adjusted to the pandemic but have now generally returned to normal levels. Reported deaths were c.30% higher than normal.

- Fortnightly client calls were in place between LPPA and Brent Officers (weekly at the start of the pandemic).
- Work on our IT platforms to support LPPA continues with the core focus on administration systems including procurement options.
- Finalising new service metrics to be the basis for future management reporting.

Service Level performance

- Overall pension administration casework performance consistently exceeding Service Level Agreement with focus on payment and priority cases and new targets to track elapsed time of retirement and cases of bereavement.

Helpdesk

- Overall wait times generally under 2 minutes with over 90% of calls answered and all bereavement cases prioritised in the call queue.

Retirement satisfaction

- 177 retirees responded to surveys with feedback on the retirement experience achieving 89% satisfaction. The main reasons for dissatisfaction were; delays in making payment of retirement benefits, lack of understanding of the process/expected timescales and communication when there were delays.

Engagement priorities 2020/21

- Recruited Head of Engagement & Communications / Recruitment of Member Engagement Manager & investment in the function
- Introducing new KPI's and targets aligned to improving the member experience
- New client report
- Formalise communications plans for members and employers & review all letters.
- Improved member and employer experience.

Members welcomed the presentation and with no further issues raised, the Chair thanked Mr Crowhurst for the updates.

RESOLVED:

That the LPP scheme administration report be noted.

10. **LPP Complaints data 2019/2020**

Mr John Crowhurst (Operations Director LPP) introduced the report. He informed the Board that in 2019/2020 LPP received a total of 25 complaints split over 4 quarters as set out in the report. In comparison with other Funds this figure was not high. The majority of complaints received were in respect of historic data issues which pre-date LPP. In order to address these, LPP appointed a dedicated Complaints Manager in June 2019. Monthly meetings with the pension administration operational teams to identify service improvements had been set up and the following reviews were being carried out:

- A review of all letters ensuring that they meet all regulatory guidelines and are understandable to the recipient. i.e. Jargon will be removed
- The new member website will go live during Q3 of 2020/21. Officers were also reviewing the content of the website and the site to ensure that it is user friendly and easy to navigate.
- Client reports enhanced to provide a broader overview of performance against the service being provided to Brent members and employers
- More in-depth reporting that outlined the customer journey for a range of processes that helped to target the right areas through use of our Engagement team was now available.

11. LPP COVID-19 Impact Analysis

This report presented analysis from the Fund's administration provider Local Pensions Partnership (LPP) regarding the impact of the COVID-19 coronavirus pandemic, on the number of death notifications (bereavements) received, relating to members in the Brent Pension Fund and Brent Teachers Pension Fund since the start of this year.

Mr Saagar Raithatha drew the Board's attention to appendices 1 and 2 that provided insight for both the Brent Pension Fund and the Brent Teachers Pension Fund. Members noted that death notifications for members of the Brent Pension Fund were higher in April than in the same period last year (28 vs 3) and members of the Brent Teachers Pension Fund 16 vs 6). He continued that additional resources were being deployed consequently. He added that the increase in the number of death notifications would not be material to the extent of affecting the value of the Fund's liabilities.

Members welcomed the report and with no additional issues raised, the Chair thanked officers for the update. It was RESOLVED:

That the update be noted.

12. LGPS Update

The report updated the Board on recent developments within the LGPS regulatory environment and any recent consultations issued by the Ministry of Housing, Communities and Local Government (MHCLG) which have would have a significant impact on the Fund. Saagar Raithatha informed the Board that early analysis indicated that around 1.2 million members across LGPS, equivalent to roughly a quarter of all members, may be affected. Officers were working together with the Fund's actuary, Hymans Robertson and the Fund's admin provider LPP to further work through the details of the consultation before preparing a response.

The closing date of this consultation will be on 8 October 2020. Comments from any member of the Board regarding the consultation should be sent to Ravinder Jassar (Head of Finance) ahead of the closing date.

The other update involved the plans to cap exit payments in the public sector of £95,000. On 10 April 2019, HM Treasury (HMT) launched a consultation on draft

regulations, guidance and directions to implement the cap. The consultation closed on 3 July 2019 and received around 600 responses. Despite the concerns, there has been no proposal to change the level of the cap at this stage.

In response to Members' questions, officers stated that they were awaiting details of how the cap would be implemented and whilst the Government had not made the impact clear, there would be no impact on Brent retirees and beneficiaries.

13. **Brent Risk Register**

This report presented the updated Risk Register for the Brent Pension Fund Pensions Administration Service. Brent Pension Fund Sub-Committee considered this report at its last meeting and noted the following:

Key changes to the Risk Register:

- The key changes to the risk register had been updated to reflect the impact of coronavirus (COVID-19).
- Following the release of the McCloud consultation, the risk register had provided an update on the work to be conducted by officers ahead of the response on the consultation.
- No major concerns received to the draft accounts.
- Manageable risk had been assigned to the flexible use of remote working facilities

In response to a question as to whether redundancies would impact on the Fund, Sawan Shah replied that whilst it was unlikely to have a significant on the Council as an employer redundancies could adversely impact the smaller employers. The Actuary would project the number of redundancies and would feed that into the valuation.

Members welcomed the report which had been presented to Brent Pension Fund Sub-Committee and RESOLVED:

That the updated Brent risk register be noted.

14. **Investment Management Report Q1 2020**

This report gave an overview of the Fund's performance for the quarter. Brent Pension Fund Sub-Committee had considered this report at its last meeting and noted the following:

- The assets underperformed against the aggregate benchmark over the first quarter of 2020. The Fund returned -10.7% over the quarter, underperforming its benchmark by 3.2%.
- The value of the Fund's assets fell by £99.5m over the quarter, from £934.8m to £835.3m but to date had recovered to £917m. The fall in value was spread across the majority of asset classes as markets reacted to the global spread of COVID-19.
- Over the quarter the Fund received its first capital call for the LCIV Infrastructure fund.
- An analysis of each manager's performance in the quarter as set out in the report with no changes to manager rating changes to existing managers.

Members welcomed the report on investment management quarter1 and
RESOLVED:

That the investment management report on quarter 1 be noted

15. **Low Carbon Equity Fund Investment**

The Sub-Committee received a report that presented an analysis and results of investment options agreed as part of the investment strategy review carried out in Q1 2020 to make an initial investment in a low-carbon equity fund. Brent Pension Fund Sub-Committee had considered the report at its last meeting at which the following were noted:

- Investing in low carbon equity fund was one of a number of ways in implementing a more Responsible Investment (RI) and environmental, social and governance (ESG) focussed investment strategy.
- The investment would be funded with a proportion (£28m) of the Fund's excess cash holdings.
- Viable options appraisal of the existing managers concluded that Blackrock (the Fund's existing passive fixed income manager) was a more suitable option as it delivers on fossil fuel exclusion, carbon reduction, active engagement and value for money.

RESOLVED:

- (i) That the analysis set out in Appendix 1 undertaken by the Fund's investment advisors, Hymans Robertson in relation to an initial investment in a low-carbon equity fund be noted.
- (ii) That the approval of an initial investment of c£28m in the BlackRock ACS World ESG Tracker Fund be noted.

16. **Investment Strategy: Transition Roadmap**

The report detailed the investment strategy transition roadmap prepared by the Fund's investment advisors, Hymans Robertson. Brent Pension Fund had considered this report at its last meeting at which the following summary of the key action points of the strategy were noted:

- Low carbon equities: subject to approval by the Committee, to invest £25m to £30m (c3% of Fund assets) in a passive low carbon equity fund and build further exposure to low carbon/sustainable oriented equities over time, partially using proceeds from reducing exposure to UK equities
- Increase interim allocations to equity and cash as a proxy for future infrastructure investments, until the agreed infrastructure allocation is built up. He recommended that the 3% overweight position be maintained alongside a 2% holding in cash while the Fund builds its investment in infrastructure.
- Build infrastructure investment over time: the Fund has undrawn commitments of c£50m to the LCIV infrastructure fund and c£12m to Alinda

(total 7% of Fund assets) so exposure to infrastructure will increase naturally.

- Baillie Gifford and Ruffer: Consider appropriate balance between these managers, acknowledging different styles.
- Cash holding: the Fund held c£54m of cash at 31 March 2020. £12m being used to increase the Fund's emerging markets equities (£8m) and multi-asset credit (£4m) holdings plus a proposal to invest £25m to £30m in a passive low carbon equity fund.

Members welcomed the report and RESOLVED:

- (i) That the report be noted;
- (ii) That the proposal to balance the Diversified Growth Funds be noted.

17. Draft Statement of Accounts 2019/2020

This report presented the draft Pension Fund Annual Accounts for the year ended 31 March 2020. Brent Pension Fund Sub-Committee had considered this report at its last meeting at which the following the key were noted:

- During 2019/20, the value of the Pension Fund's investments decreased from £856m to £835m (2018/19 £856m) due to the poor performance of equity markets in the final quarter of the year related to COVID-19.
- Total contributions received from employers and employees were £60m for the year, an increase on the previous year's £52.1m.
- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £48m, an increase on the previous year's £46m.
- As in 2018/19, the cash-flow position was positive because its contributions exceed its outgoings to members.
- The Fund completed its 2019 valuation in the 2019/20 financial year when it was agreed that the employer contribution rate would remain stable at 35% for the next 3 years. This was consistent with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date.
- The Triennial Valuation revealed that the Fund's assets, at 31 March 2019, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date, a significant increase on the 55% funding level as at the March 2016 valuation.
- The external auditors had not raised any major queries with the annual accounts.

Members welcomed the report and officers' updates and RESOLVED:

That the Pension Fund Draft Annual Accounts 2019/20 be noted.

18. Date of next meeting

The next meeting will be held on 3rd November 2020 at 6.00pm.

19. Any other urgent business

None.

20. Exclusion of Press and Public

RESOLVED

The press and public be excluded from the remainder of the meeting as the report be considered contained 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)"

21. London CIV Update

The purpose of this report was to update the Sub-Committee on recent developments within the London CIV (LCIV). Brent Pension Fund Sub-Committee had considered this report at its last meeting. Mr Ravinder Jassar (Head of Finance) provided updates on the following key aspects within the report:

- i) ESG reporting.
- ii) Multi asset credit fund.
- iii) Private debt.
- iv) Fund launches.

RESOLVED:

That the recent developments within the London CIV be noted.

The meeting closed at 7.35 pm

MR. D EWART
Chair