

APPENDIX

Brent Pension Fund Account		2011/12	2012/13
	Notes	£'000	£'000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(41,663)	(43,782)
Transfers in from other pension funds	8	(2,152)	(1,361)
		(43,815)	(45,143)
Benefits	9	34,292	34,172
Payments to and on account of leavers	10	3,132	3,283
Administration expenses	11	1,013	954
		38,437	38,409
Net (additions)/withdrawals from dealings with members		(5,378)	(6,734)
Returns on investments			
Investment income	12	(8,236)	(3,450)
(Profits) and losses on disposal of investments and changes in the market value of investments	14a	7,477	(45,240)
Investment management expenses	13	2,599	1,438
Net return on investments		1,840	(47,252)
Net (increase)/decrease in the net assets available for benefits during the year		(3,538)	(53,986)

Net Assets Statement	Notes	31 March	31 March
		2012	2013
		£'000	£'000
Investment assets	14	484,824	538,297
		484,824	538,297
Current assets	19	8,955	8,660
Non current assets	20	1,921	1,357
Current liabilities	21	(1,803)	(431)
Net assets of the fund available to fund benefits at the period end		493,897	547,883

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 and is administered by Brent Council. The Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Brent Pension Fund Annual Report 2012/13 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined 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 within the borough area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Brent Pension Fund Sub-Committee, which is a committee of Brent Council.

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 are 61 employer organisations within the Brent Pension Fund including the Council itself, as detailed below:

Brent Pension Fund	31 March 2012	31 March 2013
Number of employers with active members	53	61
Number of employees in scheme		
Brent Council	4,467	4,091
Other employers	931	1,282
Total	5,398	5,373
Number of pensioners		
Brent Council	5,402	5,381
Other employers	571	669
Total	5,973	6,050
Deferred pensioners		
Brent Council	6,187	6,749
Other employers	707	374
Total	6,894	7,123

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 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2013. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2010. During 2012/13, the most commonly applied employer contribution rate within the Brent Pension Fund was 26.9% of pensionable pay.

d) **Benefits**

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Brent Pension Fund's website: <https://www.mylgspension.co.uk/>

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). This change took effect from 1 April 2011.

LGPS 2014

A reformed Local Government Pension Scheme (LGPS) will be introduced from April 2014. The main elements of the new scheme are:

- a pension scheme design based on career average;
- 1/49th accrual rate with revaluation of active members' benefits based on Consumer Prices Index (CPI);
- scheme normal pension age to be equal to the state pension age for both active members and deferred members;
- the earliest point at which retirement benefits can be taken is age 55;
- contributions based on actual pay (including part time employees) with an average member contribution yield of 6.5%, as now, with tiered contributions. Higher earners paying a higher proportion of their earnings in contributions than lower earning colleagues;
- a low cost option allowing members to pay 50% contributions for half the main benefits;
- all accrued rights are protected and benefits built up to April 2014 will be linked to final salary when members leave the scheme;

- vesting period when members can get a refund on their contributions if they leave the scheme will be increased from three months to two years.

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2012/13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* 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 18 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 n 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 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) 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.

j) 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.

k) 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.

l) 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.

m) 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 18).

n) 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 Clerical Medical 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(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2013 was £100m (£81m at 31 March 2012).

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 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

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 in the Net Assets Statement at 31 March 2013 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	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 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £187m. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £35m, and a one-year increase in assumed life expectancy would increase the liability by approximately £37m.

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity/infrastructure	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £100m. There is a risk that this investment may be under- or overstated in the accounts.
Fund of hedge funds	The fund of hedge funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of hedge funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total fund of hedge funds value in the financial statements is £27m. There is a risk that this investment may be under- or overstated in the accounts. The custodian reports a tolerance of +/- 5% around the net asset values on which the fund of hedge funds valuation is based. This equates to a tolerance of +/- £1m.

6. Events after the Balance Sheet date

There have been no events since 31 March 2013, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

7. Contributions receivable

By category

	2011/12	2012/13
	£'000	£'000
Employers	33,883	36,278
Members	7,780	7,504
Total	41,663	43,782

By authority	2011/12 £'000	2012/13 £'000
Scheduled bodies	40,727	42,626
Admitted bodies	936	1,156
Total	41,663	43,782

8. Transfers in from other pension funds

	2011/12 £'000	2012/13 £'000
Individual transfers	2,152	1,361
Total	2,152	1,361

9. Benefits payable

By category

	2011/12 £'000	2012/13 £'000
Pensions	25,642	28,183
Commutation and lump sum retirement benefits	7,805	5,590
Lump sum death benefits	845	399
Total	34,292	34,172

By authority

	2011/12 £'000	2012/13 £'000
Scheduled bodies	32,553	32,941
Admitted bodies	1,739	1,231
Total	34,292	34,172

10. Payments to and on account of leavers

	2011/12 £'000	2012/13 £'000
Refunds to members leaving service	25	14
Payments for members joining state scheme	-3	-2
Individual transfers	3,110	3,271
Total	3,132	3,283

11. Administration expenses

	2011/12 £'000	2012/13 £'000
Pension administration costs	914	899
External audit fees	33	25
Actuarial fees	66	30
Total	1,013	954

12. Investment income

	2011/12 £'000	2012/13 £'000
Fixed interest securities	2,310	21
Equity dividends	3,043	1,179
Pooled property investments	1,714	1,798
Interest on cash deposits	65	31
Private equity/infrastructure	944	421
Other	160	0
Total	8,236	3,450

13. Investment management expenses

	2011/12 £'000	2012/13 £'000
Management fees	2,510	1,383
Performance monitoring service	20	20
Other advisory fees	69	35
Total	2,599	1,438

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

14. Investments

	Market value 31 March 2012 £'000	Market value 31 March 2013 £'000
Investment assets		
Fixed interest securities	77,040	0
Equities	86,491	0
Pooled investments	205,281	405,064
Pooled property investments	34,739	33,320
Private equity/infrastructure	80,729	99,913
Investment income due	544	0
Total investments	484,824	538,297

a) Reconciliation of movements in investments

	Market value 1 April 2012	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	77,040	0	-77,040	0	0
Equities	86,491	0	-86,491	0	0
Pooled investments	205,281	275,238	-118,020	42,565	405,064
Pooled property investments	34,739	0	0	-1,419	33,320
Private equity/infrastructure	80,729	25,306	-10,216	4,094	99,913
	484,280	300,544	-291,767	45,240	538,297
Other investment balances:					
Investment income due	544				0
Net investment assets	484,824				538,297

	Market value 1 April 2011	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	84,965	128,760	-139,748	3,063	77,040
Equities	247,060	58,461	-210,619	-8,411	86,491
Pooled investments	42,286	164,787	0	-1,792	205,281
Pooled property investments	33,093	1,200	-18	464	34,739
Private equity/infrastructure	60,183	25,175	-5,456	827	80,729
Global Tactical Asset Allocation	18,827	0	-17,199	-1,628	0
	486,414	378,383	-373,040	-7,477	484,280
Other investment balances:					
Investment income due	489				544
Net investment assets	486,903				484,824

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the Fund, such as commissions, stamp duty and other fees.

b) Analysis of investments

	31 March 2012 £'000	31 March 2013 £'000
Fixed interest securities		
UK		
Public sector quoted	66,094	0
Corporate quoted	1,141	0
Overseas		
Public sector quoted	9,805	0
	77,040	0
Equities		
UK		
Quoted	86,491	0
	86,491	0
Pooled funds – additional analysis		
UK		
Fixed income unit trust	0	82,898
Unit trusts	15,980	99,392
Fund of hedge funds	40,494	27,231
Diversified growth funds	0	33,953
Overseas		
Unit trusts	148,807	161,590
	205,281	405,064
Pooled property investments	34,739	33,320
Private equity/infrastructure	80,729	99,913
	115,468	133,233
	484,280	538,297

Investments analysed by fund manager

	Market value 31 March 2012		Market value 31 March 2013	
	£'000	%	£'000	%
Legal & General	117,764	24.3	202,617	37.6
Henderson	93,020	19.2	105,243	19.5
Brent in-house investment team	87,035	17.9	0	0
Capital Dynamics	63,861	13.1	81,199	15.1
Yorkshire Fund Managers	1,402	0.3	1,144	0.2
Fauchier	40,494	8.4	27,231	5.1
Baillie Gifford	0	0	33,953	6.3
Aviva	34,739	7.2	33,320	6.2
Dimensional	31,043	6.4	36,945	6.9
Alinda	15,466	3.2	16,645	3.1
Total	484,824	100.0	538,297	100.0

All the above companies are registered in the United Kingdom.

Concentration of investments

During the year, no individual investment exceeded 5% of the total value of the Fund's net assets.

c) Stock lending

The Brent Pension Fund does not operate a Stock Lending programme.

15. Financial instruments

a) 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 2012			31 March 2013		
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
£000	£000	£000	£000	£000	£000
Financial assets					
77,040			0		
86,491			0		
205,281			405,064		
34,739			33,320		
80,729			99,913		
	5,591			5,534	
544			0		
	5,285			4,483	
484,824	10,876	0	538,297	10,017	0
Financial Liabilities					
		-1,803			-431
484,824	10,876	-1,803	538,297	10,017	-431

b) Net gains and losses on financial instruments

31 March 2012		31 March 2013
£'000		£'000
	Financial assets	
-7,477	Fair value through profit and loss	45,240
-7,477	Total	45,240

c) Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2012			31 March 2013	
Carrying value	Fair value		Carrying value	Fair value
£'000	£'000		£'000	£'000
		Financial assets		
484,824	484,824	Fair value through profit and loss	538,297	538,297
10,876	10,876	Loans and receivables	10,017	10,017
495,700	495,700	Total financial assets	548,314	548,314
		Financial liabilities		
-1,803	-1,803	Financial liabilities at amortised cost	-431	-431
-1,803	-1,803	Total financial liabilities	-431	-431

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

d) Valuation of financial instruments carried at fair value

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values.

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.

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.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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 2013	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	411,153		127,144	538,297
Loans and receivables	10,017			10,017
Total financial assets	421,170	0	127,144	548,314
Financial liabilities				
Financial liabilities at amortised cost	-431			-431
Total financial liabilities	-431	0	0	-431
Net financial assets	420,739	0	127,144	547,883

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2012	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	363,601		121,223	484,824
Loans and receivables	10,876			10,876
Total financial assets	374,477	0	121,223	495,700
Financial liabilities				
Financial liabilities at amortised cost	-1,803			-1,803
Total financial liabilities	-1,803	0	0	-1,803
Net financial assets	372,674	0	121,223	493,897

16. 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.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

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.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with WM Company plc, the Pension Fund has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period:

Asset type	Potential market movements (+/-)
Fixed interest	3.8%
UK equities	12.7%
Overseas equities	13.9%
Property	2.5%
Alternative investments	5.3%
Cash	0.0%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset type	Value at 31 March 2013	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	5,534	0.0	5,534	5,534
Investment portfolio assets:				
Fixed interest	82,898	3.8	86,048	79,748
UK equities	99,392	12.7	112,015	86,769
Overseas equities	161,590	13.9	184,051	139,129
Property	33,320	2.5	34,153	32,487
Alternative investments	161,097	5.3	169,635	152,559
Total	543,831		591,436	496,226

Asset type	Value at 31 March 2012	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	5,591	0.0	5,591	5,591
Investment portfolio assets:				
Fixed interest	77,040	3.8	79,968	74,112
UK equities	103,015	12.7	116,098	89,932
Overseas equities	148,807	13.9	169,491	128,123
Property	34,739	2.5	35,607	33,871
Alternative investments	121,223	5.3	127,648	114,798
Total	490,415		534,403	446,427

Interest rate risk

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 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2012	31 March 2013
	£'000	£'000
Cash balances	5,591	5,534
Fixed interest securities	77,040	82,898
Total	82,631	88,432

Interest rate risk sensitivity analysis

The Pension Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. Experience suggests that long-term average rates are expected to move less than 100 basis points from one year to the next.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£'000	£'000	£'000
Cash balances	5,534	55	-55
Fixed interest securities	82,898	829	-829
Total change in assets available	88,432	884	-884

Asset type	Carrying amount as at 31 March 2012 £'000	Change in year in the net assets available to pay benefits	
		+100 BPS £'000	-100 BPS £'000
Cash balances	5,591	56	-56
Fixed interest securities	77,040	770	-770
Total change in assets available	82,631	826	-826

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 2013 and as at the previous period end:

Currency exposure – asset type	Asset value at 31 March 2012 £'000	Asset value at 31 March 2013 £'000
Overseas fixed income	9,805	0
Overseas unit trusts	148,807	161,590
Overseas pooled property investments	6,294	5,487
Overseas private equity/infrastructure	80,729	99,913
Total overseas assets	245,635	266,990

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with WM Company plc, the Pension Fund considers the likely volatility associated with foreign exchange rate movements to be 9%.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9% 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:

	Asset value as at	Change to net assets	
	31 March 2013	available to pay	
		+9%	-9%
	£'000	£'000	£'000
Overseas unit trusts	161,590	176,133	147,047
Overseas pooled property investments	5,487	5,981	4,993
Overseas private equity/infrastructure	99,913	108,905	90,921
Total change in assets available	266,990	291,019	242,961

	Asset value as at	Change to net assets	
	31 March 2012	available to pay	
		+9%	-9%
	£'000	£'000	£'000
Overseas fixed income	9,805	10,687	8,923
Overseas unit trusts	148,807	162,200	135,414
Overseas pooled property investments	6,294	6,860	5,728
Overseas private equity/infrastructure	80,729	87,995	73,463
Total change in assets available	245,635	267,742	223,528

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. Given the relatively low level of cash held by the Pension Fund at any one time, it is not considered necessary to place deposits with other banks and financial institutions to provide diversification.

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 2013 was £5.534m (31 March 2012: £5.591m). This was held with the following institutions:

	Rating	Balances as at 31 March 2012 £'000	Balances as at 31 March 2013 £'000
Bank deposit accounts			
NatWest	A	5,591	5,534
Total		5,591	5,534

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. As at 31 March 2013 the value of illiquid assets was £160.5m, which represented 30% of the total fund assets (31 March 2012: £156.0m, which represented 32% 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 2013 are due within one year.

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.

17. Funding arrangements

In line with the LGPS (Administration) Regulations 2008, 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 2010. The next valuation will take place as at March 2013.

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 22 years from 1 April 2013 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 2010 actuarial valuation, the Fund was assessed as 61% funded (72% at the March 2007 valuation). This corresponded to a deficit of £294m (2007 valuation: £194m) at that time.

Contribution increases were phased in over the three-year period ending 31 March 2014 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2011/12	25.1%
2012/13	26.9%
2013/14	27.4%

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 2010 actuarial valuation report and the funding strategy statement on the Fund's website.

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 principal assumptions were:

The main actuarial assumptions used for the March 2010 actuarial valuation were as follows:

Discount rate for periods

In service	
Scheduled bodies	7.50% a year
Admission bodies	6.25% a year
After leaving service	
Scheduled bodies	7.50% a year
Admission bodies	4.75% a year
Inflation (assumed to be RPI)	3.80% a year
Salary increases (assumed to be 1.5% over RPI)	5.30% a year
Pension increases (CPI assumed to be 0.5% less than RPI)	3.30% a year

Mortality assumptions

Future life expectancy based on the Actuary's fund-specific mortality review was:

Mortality assumption at age 65	Male	Female
Current pensioners	23.7 years	26.5 years

Commutation assumption

It is assumed that future retirees will take 25% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

18. 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.

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.

The actuarial present value of promised retirement benefits at 31 March 2013 was £1,587m (31 March 2012: £1,294m). 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 2010 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

Inflation/pension increase rate assumption	2.8%
Salary increase rate	5.1%
Discount rate	4.5%

19. Current assets

	31 March 2012 £'000	31 March 2013 £'000
Debtors:		
- Contributions due – employees	103	146
- Contributions due – employers	2,102	2,596
- Sundry debtors	1,159	384
Cash balances	5,591	5,534
Total	8,955	8,660

Analysis of debtors

	31 March 2012 £'000	31 March 2013 £'000
Central government bodies	112	245
Other local authorities	2,449	2,742
Other entities and individuals	803	139
Total	3,364	3,126

20. Non current assets

	31 March 2012 £'000	31 March 2013 £'000
Non current assets	1,921	1,357
Total	1,921	1,357

Non current assets comprises of contributions due from employers, repayable later than a year of the Balance Sheet date.

21. Current liabilities

	31 March 2012 £'000	31 March 2013 £'000
Sundry creditors	1,803	431
Total	1,803	431

Analysis of creditors

	31 March 2012 £'000	31 March 2013 £'000
Central government bodies	10	5
Other entities and individuals	1,793	426
Total	1,803	431

22. Additional voluntary contributions

	Market value 31 March 2012 £'000	Market value 31 March 2013 £'000
Clerical Medical	1,138	1,190
Equitable Life	175	172
Total	1,313	1,362

AVC contributions of £79,000 were paid to Clerical Medical during the year (2011/12: £88,000). The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

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 £0.987m (2011/12: £1.027m) 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 £31.576m to the Fund in 2012/13 (2011/12: £30.482m). All monies owing to and due from the Fund were paid in year.

Governance

There are no members of the Pension Fund Sub-Committee who are either in receipt of pension benefits from or active members of the Brent Pension Fund.

Each member of the Pension Fund Sub-Committee is required to declare their interests at each meeting.

Key management personnel

Paragraph of the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* (the Code) exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Brent Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Brent Council.

24. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2013.

25. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2013 totalled £64.979m (31 March 2012: £89.093m).

	31 March 2012	31 March 2013
	£'000	£'000
Capital Dynamics	77,545	54,077
Alinda	10,435	10,636
Yorkshire Fund Managers	1,113	266
Total	89,093	64,979

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.

26. Contingent assets

Five non-associated admitted body employers in the Brent Pension Fund hold insurance bonds to guard against the 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.

	31 March 2012	31 March 2013
	£'000	£'000
Wettons (Estate Cleaning & North Grounds Maintenance)	158	158
Wettons (South Grounds Maintenance)	145	145
Capita	123	123
Willow Housing & Care Ltd	45	45
Xerox (UK) Ltd	0	29
Total	471	500

27. Impairment losses

The Fund had no impairment losses at 31 March 2013.