



## **MINUTES OF THE PENSION BOARD**

**Held as an online meeting on Wednesday 8 November 2023 at 6.00 pm**

PRESENT (in remote attendance): Mr David Ewart (Chair), Councillor Akram, Chris Bala (Pension Scheme Member representative), Bola George (Member representative - Unison) and Robert Wheeler (Member representative - GMB).

ALSO PRESENT (in remote attendance): Sawan Shah (Head of Finance, Brent Council), John Smith, (Pensions Manager, Brent Council), George Patsalides (Finance Analyst, Brent Council), John Crowhurst (Local Pensions Partnership Administration).

### **1. Apologies for Absence**

Apologies were received from Councillor Kabir and Sunil Gandhi (Employer Member – Non Brent Council).

### **2. Declarations of Interests**

No declarations of interests were made.

### **3. Minutes of the Previous Meeting**

The minutes of the previous meeting held on Monday 24 July 2023 were agreed as an accurate record.

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

None.

### **5. Pensions Administration Update**

Sawan Shah (Head of Finance, 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 was informed that the report was divided into five sections, 'LPPA Quarter 1 Performance', 'McCloud', 'Performance Metrics', 'Annual Benefit Statements' and 'Internal Audit', which would be addressed in turn. It was explained that the data covered April to June 2023 and therefore was slightly out of date at the time of the meeting.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 the Local Pensions Partnership Administration (LPPA) held monthly meetings to review performance and address any issues.

In discussing the overall performance of LPPA during quarter 1, members were advised that the Casework metric showed that performance was above Service Level Agreement's (SLA) for the majority of cases. However, the performance concerning 'transfers out', 'retirements from active status' and 'deaths' was considered disappointing. As these cases should be a priority for LPPA, officers had raised these concerns with LPPA through varying channels such as the Pension Board, Client Forum and regular performance monitoring meetings. The Board was also informed

that the average call wait time for the Help Desk fluctuated between two and four minutes across the quarter, which was within the SLA. In addition, it was detailed that the number of complaints had trended downwards since the completion of the UPM system migration, with 22 complaints since the last Board meeting in July, a decrease from 33 in the prior reporting period. To finalise, Sawan Shah explained that, in addition to the data included in the 'interim performance reports for July and August' on page 17 of the agenda, the Fund had now received data for September 2023, meaning that data was available for the whole of quarter 2.

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

- In speaking on the underperformance in retirements from active cases in quarter 1, members were advised that performance was improving, with 78% of cases being processed within the SLA in quarter 1, 94% in quarter 2 and, so far in quarter 3, 100% of cases had been processed within the SLA.
- It was detailed that the percentage of bereavement cases processed within the SLA was 83% in quarter 1, 80% in quarter 2 and from October to the date of the meeting, 8 November 2023, 79% of bereavement cases had been processed within the SLA. However, the Board was informed that this data included all bereavement cases and therefore concerned both cases where there was a beneficiary and also where there was no beneficiary and thus a payment was not required to be made. Whilst LPPA was prioritising cases in which a payment was required, at the time of the meeting, it could not be confirmed whether this was happening in practice. Nevertheless, for cases being processed outside of the SLA, members were reassured that information would be provided outlining how many days the SLA had been missed by, whether the cases included a beneficiary and if the delay impacted a payment being made. Furthermore, it was explained that cases were only included in performance metrics once they had been completed, meaning that cases currently missing the SLA would only be included in performance data once they had been completed which could result in further negative performance in the short term. The Board noted that work was ongoing with the Bereavement Team and a projection for when performance was expected to return to the SLA had been requested.
- The Board heard that new data had been included in the performance report, outlined in page 35 of the agenda, which showed the number of cases brought forward at the start of the quarter (1,344) and the outstanding number of cases at the end of the quarter (1,419). Members were advised that increasing volumes in casework could point to issues as cases were taking longer to resolve.
- Regarding Help Desk performance, it was detailed that even during periods of high call volumes, such as following the distribution of Annual Benefit Statements, the average call wait time had stayed close to the four minute SLA, illustrating that the strategy concerning the Help Desk was working.

- Members were informed that client specific information would be included in quarterly performance reports commencing at the next Pension Board meeting in March. This data would show how many calls had been made by Brent Pension Fund members and the average wait times relating to those calls, in addition to Brent specific satisfaction scores regarding the Help Desk and the retirement process, which provided more granular data.
- In discussing the registration of Pension Fund members onto Pension Point, the new member portal, the Board noted that approximately 200 members were registering each month, increasing from 2,900 at the end of June 2023 to 3,400 at the end of September. However, the number of registered members had yet to reach pre-migration levels of 4,200 registered members on the old system. The Board was reassured that LPPA was promoting registration at every opportunity.
- Regarding The Pensions Regulator data scores, members were advised that the common score had been stable throughout the previous year, however, the conditional score had fluctuated. Whilst a dip in the conditional score was expected in April 2023 due to employers submitting data from the previous year, it was expected that the conditional score would return to the SLA of 90% in quarter 3.

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

- In response to a query relating to the satisfaction score of the Help Desk, members were advised that the majority of dissatisfaction stemmed from delays, with Brent's specific satisfaction score for September being 77.8%. However, the Board was assured that verbatim comments were reviewed and responded to when necessary.
- In discussing the impact of the delayed processing of bereavement cases, members noted that 13 bereavement cases were processed outside of the SLA in quarter 1, with further information to be provided to officers analysing whether these cases included beneficiaries and how many days the SLA target was missed by. However, it was explained that backlogs for bereavement cases had not been a major issue, therefore the impact was not expected to be significant, although further data would be provided to the Board to review the impact.
- In highlighting the low satisfaction scores relating to retirements, members queried whether there were updated figures available for September. In response, the Board was informed that 40% of respondents were satisfied in September, however only 5 customers had responded, with two satisfied, two dissatisfied and 1 neutral. Members noted that survey responses should be handled with caution as there was the possibility of a self-selection bias as more unhappy customers were likely to submit a response than happy customers. In addition, the low sample size was highlighted which meant that the data was more vulnerable to being easily skewed. In concluding, John Crowhurst stated that LPPA was reviewing the measurement of SLA's and Sawan Shah detailed that from quarter 2 onwards the survey data was Brent specific which was the reason for the number of responses decreasing.

In turning the Board's attention to the next part of the report which related to McCloud, the Chair welcomed John Smith (Pensions Manager, Brent Council) who provided an overview to the Board. John Smith began by explaining that HMRC had introduced two rectification regulations which removed the underpin from the annual allowance and introduced the LGPS Amendment No. 3 which came into force on 1 October 2023 which enabled the underpin to work as intended. The Department for Levelling Up, Housing and Communities was also producing statutory guidance relating to the aggregation of data, as the benefit of the underpin should apply regardless of wherever data was aggregated or not. In addition, McCloud had been expanded to include everyone in the LGPS from 2012 to 2014 who had not had a career break of more than 5 years. In finalising, the Board was advised that Annual Benefit Statements had to include the McCloud underpin from 2025 which posed a logistical problem to software providers as the changes were happening at a fast pace. In the context of the Brent Pension Fund, LPPA had advised that UPM was finding the McCloud implementation challenging. However, the LGA had stated that all software providers were finding the implementation of McCloud difficult and therefore UPM was not an outlier. Currently cases were being processed as normal while system functionality was awaited, and cases would be revisited once the system had been updated.

Following John Smith's overview, John Crowhurst informed members that LPPA had established a project team to work closely with the system supplier to ensure that the system was ready for the implementation of McCloud. LPPA was also testing the launch of new functionalities, with a project board and steering group overseeing the implementation. In order to assess who was impacted by the extension of the McCloud underpin, LPPA was working with employers to collect the necessary data, such as service breaks and hours changes, to ensure that records were correct. Once the data had been collected, LPPA could identify pension scheme members who had been impacted and would flag them. Furthermore, revisions would be done on certain cohorts, such as retirements on health grounds, and they would be aligned to the blue light scheme, which required completion by 2025. The Board was informed that LPPA was expecting the number of impacted members to be confirmed in January 2024. Following this, a plan would be devised with officers in order to ensure cases were processed prior to the 2025 deadline alongside working with the system supplier to ensure that statutory activities were undertaken such as incorporating the extension of the underpin into Annual Benefit Statements.

In thanking John Smith and John Crowhurst for the update, the Chair welcomed questions from the Board, with questions and responses summarised below:

- In discussing the scale of the challenge of implementing McCloud, members heard that LPPA was confident that the system would be able to complete the calculations required for McCloud. However, the impact of McCloud for the LGPS was not expected to be significant in comparison to other pension schemes. Nevertheless, the importance of completing the data collection exercise and formulating a plan by January 2024 was reiterated.
- Regarding a timeframe for when the system was expected to be fully operative, the Board was informed that different functionalities were being implemented on different dates, with end of January 2024 being the timeframe for the completion of the remedy calculations for the initial cohorts impacted by

McCloud. Members were reassured that the Fund would be informed of any delays as regular updates were provided to officers.

- In response to a query concerning the impact that McCloud would have on retirees, members noted that the numbers of people impacted, and the differing impact in each cohort, would be known in January 2024 once the data collection exercise was completed. However, it was explained that in dummy cases the new career average pension scheme had resulted in less people impacted in the LGPS.
- The Board was advised that back payments would be made to impacted members, although in some cases payments would need to be paid to beneficiaries which added further complexity. Members were reassured that all LPPA operational teams were being trained to deal with the relevant calculations to improve organisational resilience.
- In response to a question on whether there were any plans for a diminutive level, the Board noted that there were no such plans.

In moving to the third section of the report, concerning performance metrics, John Smith advised the Board that there were two popular methods of measuring performance. The first method was known as the 'standard model' which measured performance by dividing the number of cases completed within SLA during a period by the number of new cases received in the same period. This method could also be enhanced by measuring the average time it took to complete a case at calendar length, with a long average wait time indicating that the "wait" facility on the administration system was being misused. The second model, which was presented at the LGPS Technical Group a few years ago and was used by some county councils across the country, concentrated on dividing the cases completed within SLA by the number of cases completed. However, this model was considered suboptimal for a number of reasons, such as:

- 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.
- Once a contractor had completed all the new cases there was no incentive to complete older ones as they reduced the (notional) percentage completed within SLA.
- It was open to manipulation and incentivised bad practice.

In drawing this part of the report to a close, John Smith informed members that LPPA had agreed to show the Fund the matrix behind its performance figures so that the Fund could understand how they were calculated, although the information so far pointed to the methodology being closer to the standard model rather than any alternatives which was said to be encouraging. In concluding the discussion on performance metrics, the Board noted that this workstream was focussed on improving reporting to the Board, with members commenting that graphs and ranges were more informative and nuanced which was preferred over a single figure approach.

Following the discussion on performance metrics, John Smith detailed the Fund's performance concerning Annual Benefit Statements, in which it was a statutory responsibility to issue Annual Benefit Statements to all eligible active and deferred members by 31 August each year. The Board heard that Brent provided Annual Benefit Statements to 95% of active members and 99% of deferred members. As there was no SLA related to Annual Benefit Statements due to the assumption that 100% of Statements would be issued, it was explained that the main reason for an Annual Benefit Statement not being produced was due to employers not completing the end of year return on time or an outstanding query from the year end return.

The Board was reassured that Pension Fund Members who did not receive an Annual Benefit Statement would receive a Statement as soon as the relevant information had been received from employers and any queries had been resolved. Whilst the Fund had moved to receiving monthly data returns from employers and therefore was better prepared to provide accurate Annual Benefit Statements in cases of incomplete datasets, it was detailed that some employers were yet to begin submitting monthly returns in April 2023 as they had not completed an annual report from the previous year, with these cases considered a priority for the Fund. However, members were advised that, in most cases, untimely data returns were not the fault of the employers but rather outsourced payrolls who were not adequately engaging with the process. Regarding underperforming employers and payroll providers, the Board noted that the Fund was taking the following steps to improve performance:

- Pursuing employers who had been slow to submit monthly contribution returns, with issues escalated to senior management in the relevant organisations where necessary.
- Implementing monthly contributions returns to eliminate the possibility of employers not submitting an annual contribution return, which had been the biggest single issue.
- Encouraging employers to monitor their payroll providers where performance was falling short and to change payroll providers if performance was not improving. In extreme cases, the Fund could utilise Regulation 70 to charge employers and payroll providers for any costs incurred due to their poor performance, for example if the Fund were to be fined and it was found to be the fault of an employer or payroll provider.
- Using the powers set out in the Pensions Administration Strategy where employers were not complying with the standards expected.

Prior to moving onto the final section of the Pensions Administration Update, the Chair reiterated the importance of ensuring that Annual Benefit Statements were issued on time, and reminded members that the Board had previously agreed that the Fund's handling of Annual Benefit Statements did not constitute a material breach due to the Fund's continued monitoring and subsequent actions taken.

To conclude the Pensions Administration Update, Sawan Shah outlined the internal audit that was currently taking place regarding the monitoring of the pensions administration contract with LPPA and the collection of pension contributions. Members were advised that the last internal audit was conducted in 2019/20 on the

investment process, with the final terms of reference for the current audit attached as Appendix 2 of the report. The Board noted that the audit was expected to be completed in December 2023, with an update to be provided at the next Board meeting in March 2024.

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

## 6. Local Government Pension Scheme Update

John Smith (Pensions Manager, Brent Council) presented a report that updated 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. To begin, John Smith detailed the changes in the SCAPE discount rate, which had been reduced from CPI plus 2.4% to CPI plus 1.7% from 30 March 2023, which increased the notional cost of providing pension benefits. Although the change in the discount rate did not directly impact the LGPS, it was more impactful for unfunded schemes, the Board was advised that many factors within the LGPS were based on the SCAPE discount rate and all contracts to purchase Additional Pension Contributions (APCs) were being revised in April 2024. As the cost of purchasing APCs would increase, it was likely that some existing contracts would terminate and there would be fewer new contracts.

The change to the SCAPE discount also impacted the cost control mechanism which intended to keep the cost of providing pension benefits within a 3% affordability corridor. The Board noted that the core mechanism of the cost cap still used 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%) increased cost and therefore more than offset the potential reduction, keeping variation within the 3% corridor.

Members were also advised that The Pension Regulator's Single Code was expected to be published in the near future, which brought together 15 codes, with Code 14 relating to the public sector. It was explained that the wording in the original Code was vague and did not differentiate between schemes within the public sector, with the updated Code using consistent terminology to clarify the applicability of elements dependent on the scheme.

Lastly, the Board noted that the Pensions (Extension of Automatic Enrolment) Act 2023 received Royal Assent on 18 September 2023. This Act enabled the Government to make regulations that lowered the minimum age for automatic enrolment from 22 to 18 and removed the lower earnings limit for contributions.

With no additional contributions and in thanking John Smith for the update, the Board **RESOLVED** to note the report.

## 7. Members' Learning and Development

George Patsalides (Finance Analyst, Brent Council) presented the report, which informed members of the provision of a Local Government Pensions Scheme (LGPS) focused online pensions learning facility for officers, Pension Fund Sub-Committee

members and Pension Board members. The Board was advised that this report was a continuation of a report considered by the Pension Board in March 2021 regarding member training and development, with the Training Plan attached as Appendix 1 of the report covering the key areas of the LGPS which fulfilled the Fund's statutory obligations outlined by The Pensions Regulator.

It was explained that the training was hosted on the LGPS Online Learning Academy (LOLA) which had been developed by the Council's actuaries, Hymans Robertson LLP. The training consisted of 'bitesize' modules which corresponded to the topics outlined in the Training Plan. Whilst members could complete training at their own pace, they were encouraged to complete one module per month, with training coinciding with important dates within the fiscal calendar. To conclude, George Patsalides stated that members would be receiving their login details over the coming days.

Following the presentation of the report, the Chair commended the Training Plan and Strategy and encouraged members to complete the training modules as recommended to ensure that the Board had the required underpinning knowledge to carry out its duties. As there were no further questions, the Board **RESOLVED** to note the report and supported the roll-out of the online learning programme provided by the Council's actuaries, Hymans Robertson LLP.

## 8. Risk Register

Sawan Shah introduced 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 was advised that the Risk Register was a standing item at all Pension Board meetings which allowed the Fund to identify and manage risks related to the Pension Scheme. In identifying the main amendments to the Risk Register, the Board noted that the following key changes had been made:

- The risk related to data migration, Item 5.7, was deleted because the move to Civica (UPM) was completed in November 2022.
- In relation to Item 9.2, geographical and economic risk in relation to investments, the risk was changed to reflect updated geographical and economic risk, resulting in the risk score and comment being altered.

Members were also informed that officers were conducting a comprehensive review of the Risk Register, in particular relating to the scoring of risks. It was proposed to change the scoring from its current 1-10 scale to a 1-5 scale, as the current system was deemed too granular which made it difficult to differentiate between the magnitude of risks.

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

- In response to a query relating to the two amber rated risks, concerning the Annual Benefit Statements 2023/24 and geographical and economic risk in relation to investments, the Board was informed that when taking into account

their likelihood of occurring, their impact on the Fund and the identified mitigations, these issues posed the highest risk to the Fund.

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.

#### 9. **Investment Monitoring Report – Quarter 1 2023**

*Before moving on to remaining items on the agenda, the Chair reminded Board members that agenda items 9, 10, 11, 12, 13 and 15 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 2 Investment Monitoring Report, which reviewed the Fund's performance over the second quarter of 2023. Members noted that the value of the Fund had increased by 0.5% over the quarter, with a valuation of £1,125.7m up from £1,116.4m at the end of Quarter 1 2023. It was explained that the Fund's passive global equity exposure was the main driver of positive return on an absolute basis, with income and protection assets, on aggregate, detracting from the total Fund return, which was outlined in page 215 of the agenda pack. In addition, members noted that the Fund's asset allocations were broadly in line with interim target allocations, and the one and three year returns were 4.9% and 5% respectively.

In noting that the report had been subject to detailed review at the Brent Pension Fund Sub Committee on 4 October 2023 and covered monitoring performance up to 30 June 2023, the Board **RESOLVED** to note the Quarter 2 Investment Monitoring Report without any further detailed comment.

#### 10. **Annual Report and Accounts 2022/23**

The Board received an update on the Pension Fund Annual Report and Accounts for the year ended 31 March 2023 and the draft Investment Strategy Statement (ISS). Sawan Shah (Head of Finance, Brent Council) explained that progress had been made since the report was published for the Brent Pension Fund Sub-Committee in late September, with the accounts being signed off on 23 October 2023. The achievement of having the accounts signed off was emphasised, as the majority of local government accounts were still outstanding which placed Brent in the minority of local authorities who had signed off their accounts for 2022/23.

With the Board commending the sign off of the accounts and praising the work of the Finance Team, it was **RESOLVED** to note the report as presented to the Brent Pension Fund Sub Committee on 4 October 2023.

#### 11. **DLUHC Consultation on LGPS Investments**

The Board received a report that outlined the Department for Levelling Up, Housing and Communities (DLUHC) consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS), covering the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. Members noted that the consultation was published in July

2023 and closed in October 2023, with the main proposals relating to the aforementioned areas highlighted in the cover report.

Overall, the Board was advised that officers were generally supportive of increased pooling and recognised the benefits such as fee savings and greater access to certain asset classes that increased pooling offered. However, members noted that a number of concerns had been raised regarding the proposals, which were widely shared across local government and are summarised below:

- The proposed deadline for the pooling of listed assets of March 2025 was considered challenging.
- As it would be difficult to transfer passive or index-tracking assets by the proposed deadline without incurring significant transaction costs and higher ongoing charges, concerns were raised that these assets would not be classified as 'pooled'.
- It was believed that funds should retain responsibility for setting asset allocations and therefore any ambitions regarding asset allocations should be guidance rather than a requirement.
- The resource burden surrounding the requirements for publishing plans/reporting was highlighted.
- The ambition for funds to invest 10% of asset allocation into private equity was not supported as many funds were fully funded, thus there was less requirement to take risk, and the proposal contradicted other proposals which stated that funds would retain control of their investment strategies.

The Board also heard that the exempt Appendix 1 of the report contained a draft response to the consultation by Hymans Robertson LLP and the Scheme Advisory Board's response had also been issued since the publication of the report.

In welcoming the report and any future feedback arising from the consultation, the Board **RESOLVED** to note the report.

## 12. **Local Authority Pension Fund Forum Update**

The Board received an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund, which demonstrated the Fund's commitment to Responsible Investment and engagement as a way to achieve its objectives.

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

## 13. **Presentation from PIRC Benchmarking – Performance to March 2023**

The Board received a presentation from Pensions & Investment Research Consultants regarding the Fund's performance as of March 2023.

As there were no additional comments, The Board **RESOLVED** to note the presentation provided.

14. **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.*

15. **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.

16. **Any Other Urgent Business**

None.

The meeting closed at: 7:25pm

MR. DAVID EWART  
Chair