



Supplementary - Pension Board

Tuesday 22 October 2019 at 6.00 pm

Boardrooms 7&8 - Brent Civic Centre, Engineers Way,
Wembley HA9 0FJ

Membership:

Members

Mr Ewart

Councillor Members

Councillor Crane

Councillor Kabir

Co-opted Members

Bola George

Chris Bala

Robert Wheeler

Representing

Independent Chair

Brent Employer representative

Brent Employer representative

Member representative (Unison)

Pension Scheme Members Representative

GMB Trade Union

For further information contact: Joe Kwateng, Governance Officer
joe.kwateng@brent.gov.uk; 020 8937 1354

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

www.brent.gov.uk/committees

The press and public are welcome to attend part of this meeting

Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences**- Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

(a) Anybody of which you are a member or in a position of general control or management, and:

- To which you are appointed by the council;
- which exercises functions of a public nature;
- which is directed is to charitable purposes;
- whose principal purposes include the influence of public opinion or policy (including a political party or trade union).

(b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;

a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members.

Item	Page
6 LGPS Update	1 - 102

The purpose of this report is to update the Board on recent developments within the LGPS regulatory environment and any recent consultations issued by the Ministry of Housing, Communities and Local Government which have would have a significant impact on the Fund.

I have produced 8 appendices to this report in this supplementary pack.

11 Brent Pension Fund: Annual Report and Accounts 2018/19	103 - 250
--	-----------

This report presents the draft Pension Fund Annual Report and audited Annual Accounts for the year ended 31 March 2019.

I have produced the appendix to the Annual Accounts in this supplementary pack.

Date of the next meeting: Wednesday 11 December 2019



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.

This page is intentionally left blank

EXECUTIVE SUMMARY

As the leading organisation representing councils, fire authorities and other public sector employers, the Local Government Association (LGA) response to this consultation focuses on the feasibility and consequences of implementing the government's stated policy in the manner set out in HM Treasury's consultation documentation. Our members have different views of the conceptual merits of the proposals but our purpose in this response is to consider the likely consequences of the provisions set out and, where possible, to suggest alternatives to minimise cost and disruption to local government employers and employees once the policy is implemented.

It is important for us to be absolutely clear that we have very serious concerns regarding the consequences of implementing this policy as set out in these consultation documents. We believe the employees in scope to have their exit payments capped are much lower earning than the consultation suggests; that, as drafted, these regulations present a range of potential legal risks that could increase costs to employers that have not been considered; that there are a number of changes to other legislation - most notably the regulations governing the Local Government Pension Scheme - that are required before these regulations can reasonably be applied; and, that the processes outlined to secure exemptions to the cap are overly bureaucratic and challenge the capacity of local government to make decisions in the interests of local taxpayers.

The LGA response to the consultation is divided into two sections, the first outlines the practical difficulties facing employers by the measures set out in these documents and the second lists the technical issues the regulations, as drafted, instigate. The key issues are listed below.

1. The scope of the cap as set out in this consultation could cover local government workers who have decades of service and earn less than £23,500 a year.
2. The absence of any review of the cap limit or any indexation of the £95,000 figure means that over time, more people with salaries below the UK average will be affected.
3. When originally proposed, the concept of a salary floor was suggested but there is no mention of that in this consultation. The LGA would support amendments to these regulations to introduce both salary floor and indexation revisions.
4. No implementation period is set out in this consultation. Due to the volume of consequential regulation changes required and the substantial changes needed to administrative systems we believe a minimum of nine months from the date the regulations are passed is required for the necessary reforms to the Local Government Pension Scheme to be introduced and the actuaries, payroll providers and others to respond accordingly.
5. The LGA is deeply concerned that the discretionary exemptions process set out in this consultation will prevent democratically elected councillors taking the necessary decisions to reform and manage the local government workforce. The overly bureaucratic process outlined which potentially requires three central government post holders (two civil servants and one Minister) to ratify a full council decision will frustrate

employer engagement with employees and inhibit the responsiveness of local authorities to changing situations.

6. We support the mandatory exemption provision for those with whistleblowing and discrimination cases however, the omission of health and safety reporting related cases seems inappropriate and inconsistent, bearing in mind tribunal awards for such cases are also unlimited. Therefore, we would support the extension of the mandatory exemption to cover those cases.
7. More broadly, the discretionary exemption process for other tribunal cases is problematic and we have a number of concerns that the process itself will prejudice an employer's position. In addition, we envisage increased costs resulting from tribunal cases as individuals will be reluctant to accept a settlement when the cap means they could achieve a higher award in tribunal.
8. The absence of a robust Equalities Impact Assessment is a cause for concern and is one of several areas where the LGA is concerned that these Regulations increase legal risks facing councils.
9. As drafted, cash exit payments in local government will potentially increase as a result of these regulations resulting in increased national insurance costs to councils when the National Insurance (Termination Awards and Sporting Testimonials) Bill comes into force.
10. Currently exit payments in local government are predominantly related to unreduced pension access for those above minimum benefit age and, particularly when compared with the wider public sector, the severance cash payments are low: generally 1.5 weeks per year reflecting the statutory system of accrual and actual weekly pay. As these regulations will inhibit pension access for some individuals earning considerably below UK average earnings, there will be pressure from trade unions to improve the severance framework in response.
11. Substantial clarification on the impact of the cap on the Local Government Pension Scheme is needed in order to make these Regulations workable. In particular there is no clarity on the application of the cap in a way which provides a 'fair choice' for the member between a reduced pension and the cash alternative referred to in the draft regulations. Also, there will be disputes due to the differing methods around the calculation of strain payments across the country and resultant inconsistencies in who is capped and to what extent.
12. Excluding outsourced employees from these regulations, as well as other areas of local government related employment creates a two tier workforce that will be exacerbated by the inclusion of an exemption for TUPE cases but not 'TUPE-like' cases resulting, for example, from government mandated reorganisations. There is significant confusion around coverage in these regulations which is made worse by the prospect of an iterative process gradually extending the range of organisations covered.

Our full response sets these issues out in detail and we would welcome further engagement with HM Treasury and others to resolve these concerns.

Sixty second summary

Rain drops keep falling on our heads...

- **The remedy and costs associated with the McCloud case are highly uncertain**
- **It is very likely that funds will have local discretion over how to manage the uncertainty and risk at the 2019 valuation**
- **Agree the risk management approach with your Fund Actuary, and ensure it is communicated to employers and documented in your Funding Strategy Statement.**

Although most LGPS funds and employers have just dried out after the inconvenience the McCloud case caused to year end accounts, the deluge continues as we now start to consider what impact it will have on the 2019 valuation.

Glossing over the rather tedious weather-related title and introduction (I am typing this looking out on a lovely Scottish summer day of heavy rain and cloud), the recent developments in the McCloud case highlight it as a specific funding risk that we would expect all funds to consider as part of the 2019 valuation.

Why is it a risk to LGPS funds?

After the Supreme Court denied the Government leave to appeal the McCloud and other associated cases on 27 June 2019, a [written ministerial statement](#) confirmed that as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be remedied across all those schemes, including the LGPS.

As the remedy will involve 'levelling up' member benefits, it is expected that any agreed outcome will increase the cost of LGPS pensions. However, at the time of writing, there is no certainty about how much this additional cost will be.

Why is there uncertainty around the additional cost?

The uncertainty stems from the fact that no one currently knows what form any remedy will take in the LGPS. The most obvious solution would be to apply the current protections, offered to those within 10 years of retirement at 2012, to all members in the scheme. However, as with all things to do with pensions and discrimination laws, it is not quite that simple. For examples, decisions need to be made around areas such as:

- Eligibility – would it only apply to scheme members who were active in 2012? Or all those active when the scheme changed at 31 March 2014 (2015 in Scotland)? What about re-joiners who choose to link up their benefits?
- Operating period of the underpin – will the underpin only apply to service accrued up to 2022 i.e. 10 years after 2012? Or will it apply for all service accrued from 1 April 2014 until retirement?
- Retrospection- how will the benefits for members who have left service since 2014 (or 2015 in Scotland) be rectified? Will interest be applied to any payments that should have been made had an underpin been in place?
- Administration – any remedy needs to be relatively easy to administer to avoid placing administration teams under even more strain. What may seem an obvious remedy may actually be very complex to administer so an alternative approach may be more appropriate.

And there are many more issues than just those listed above. As each decision about the form of a remedy is likely to have a material impact on the overall cost, you can start to see why no one can be certain about the cost of the McCloud case on both future and past service benefits.

What's the impact on the 2019 valuation?

On 14 May 2019, the [Scheme Advisory Board published an advice note](#) covering the implications of the McCloud case on the 2019 valuation. The key points from the advice note were:

- For the purpose of the 2019 valuation, if no remedy is agreed by 31 August 2019, LGPS funds should value the benefits as per the current LGPS Regulations.
- Funds should consider how to factor in the uncertainty and risk associated with the McCloud case when setting employer contribution rates
- Once the McCloud case is remedied, funds should revisit employer contribution rates to ensure they remain appropriate in light of any additional costs.
- The Cost Cap process will be suspended until the McCloud case is resolved.

Given that we are nearly at the end of July, it is very unlikely that a remedy will be agreed in the LGPS (or any public service pension scheme) by 31 August 2019. Therefore, we can be fairly certain that for the 2019 valuation we will be valuing benefits as per the current Regulations. This then leaves funds to consider locally how best to manage the uncertainty and risk associated with McCloud.

How to manage the McCloud risk?

There are various approaches and options LGPS funds can take to managing the uncertainty around the cost of benefits due to the McCloud case. We discuss some below along with issues associated with each.

- Add an explicit loading onto employer contribution rates e.g. X% of pay – this could be in the form of the same loading across all employers or it could vary by employer based on factors such as membership profile. Funds would need to consider how to derive such a loading given the uncertainty around what form any remedy will take. Funds would also need to consider how to communicate this approach to employers given the final remedy could result in a cost that is very different from any loading.
- Increase the level of prudence in the funding plan – in the three-step approach we use to set employer contribution rates, this would involve increasing the likelihood of success e.g. from 66% to 70%. The result would be a higher employer contribution rate (compared to if no action was taken) in recognition that pension costs are likely to increase. As per the first approach, it is unlikely that any increase in rate as a result of this approach would match the actual cost increase once the McCloud case is resolved, so careful communication with employers would be required.
- Do nothing – as with any risk, one option is always to do nothing. Funds taking this route may justify it on the grounds that there is so much uncertainty currently associated with McCloud that making any allowance is not feasible at this stage. Funds taking this route would need to communicate this carefully with employers and Committees to avoid any issues around future contribution rate increases once the case is resolved.

We would expect the range of approaches to vary across LGPS funds depending on Officers' and Committees' view on this risk. Whatever your current view, we would strongly suggest that it is carefully discussed and considered with your Fund Actuary during the valuation process. The justification and reasoning for any decision should be carefully communicated and documented in the Funding Strategy Statement, employer communications and final valuation report.

Please get in touch with your usual Hymans Robertson contact to discuss McCloud – or any other aspect of the valuation – in more detail.

Good governance in the LGPS

July 2019



Addressee

This report is addressed to our client, the Scheme Advisory Board for the Local Government Pension Scheme in England and Wales (SAB).

This Report has been prepared for the benefit of our client, the SAB. As this Report has not been prepared for a third party, no reliance by any third party may be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the SAB. If this report is shared with any third party, it must be shared in its entirety.

Thanks to contributors

We are indebted to all those who responded to the survey and engaged in interviews and events that helped inform this report. We are grateful to you for being generous with your time and expertise, for your confidence in sharing your experiences openly and for responding so constructively and creatively.

Your views on current best practice, areas for improvement and creative and practical ideas for further strengthening governance in the LGPS are reflected in the proposals we present to SAB here.

We hope that your contribution will help further strengthen and future-proof governance in the LGPS.

Contents

Executive summary	1
1. Introduction.....	3
2. Process.....	4
3. Survey results.....	6
4. Survey themes.....	9
5. Examples of best practice.....	13
6. Proposals	14
<i>Appendix A: Scheme Advisory Board Good Governance Survey.....</i>	<i>22</i>
<i>Appendix B: Abbreviations.....</i>	<i>29</i>

Authors



Catherine McFadyen

Head of LGPS Actuarial,
Benefits and Governance
catherine.mcfadyen@hymans.co.uk



John Wright

Head of Public Sector
john.wright@hymans.co.uk



Ian Colvin

Head of Benefits Consulting
ian.colvin@hymans.co.uk



Steven Law

Actuary
steven.law@hymans.co.uk

Executive summary

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by tax-payers, a criterion specified by SAB is that any models considered must maintain strong links to local democratic accountability.

Process

We engaged extensively with all stakeholder groups and all fund types via an online survey (140 respondents), one-to-one conversations through interviews and seminars (153 respondents), speaking engagements, a workshop with the Association of Local Authority Treasurers (ALATS), and discussion with the CIPFA Pensions Panel and the Society of County Treasurers (SCT).

We focussed on the following criteria for assessing governance arrangements; Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost. We were asked by SAB to consider how existing and alternative governance models fared against these criteria.

We considered four governance models:

- **Model 1:** improved practice
- **Model 2:** Model 1 plus greater ring-fencing
- **Model 3:** joint committee; and
- **Model 4:** separate Local Authority body.

These models were described in qualitative terms with the recognition that some of the characteristics attributed to one model could also be replicated in another model and that the final solution may draw on the features of more than one model.

Results and themes from survey responses

The online survey responses indicated a first preference for governance Model 2 (greater ring-fencing) followed by support for Model 1 (improved practice). Respondents recognised that governance models along these lines may need independent monitoring to add bite and ensure consistency of application. »



140 respondents to our online survey



one-to-one conversations



153 attendees at interviews and seminars



discussions with CIPFA and SCT

Respondents favour developing a set of standards that all funds are required to achieve...

Model 2 was also the clear preference in additional surveys at the PLSA conference in May* and other events (*Models 1 and 2 between them had more than 70% support).

Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reasons. Some respondents could see value in Model 4 (separate LA body), including one trade union for whom a version of this was the favoured model. However, for most this value was outweighed by concern about weakening relationships with councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

Through the written responses, interviews and other engagement, many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences. This process enabled us to identify

- i. Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS; and
- ii. Additional ideas for further strengthening governance within the current regulatory framework.

We have included these in the report.

Conclusions

- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
- Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
- Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
- Respondents emphasised that independent review is needed to ensure consistency in application of standards.

Key proposals

- 1 **'Outcomes-based' approach** to LGPS governance with minimum standards rather than a prescribed governance model.
- 2 **Critical features of the 'outcomes-based' model** should include:
 - (a) robust conflict management including clarity on roles and responsibilities for decision-making;
 - (b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
 - (c) explanation of policy on employer and scheme member engagement and representation in governance; and
 - (d) regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
- 3 **Enhanced training requirements** for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
- 4 **Update relevant guidance and better sign-posting.** This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements. This guidance pre-dates both TPR involvement in LGPS oversight, local pension boards and LGPS investment pooling.

We also set out suggested actions for implementing these proposals if agreed by SAB.

1. Introduction



Governance in the LGPS is evolving to accommodate developments in the last decade...

Context, purpose and scope

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in the scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The purpose of the survey, undertaken for SAB, was to identify ways of further strengthening LGPS governance in the face of these new challenges, setting a bar for standards that all funds should achieve, drawing on current best practice and not imposing additional unnecessary burden on administering authorities or disrupting current practices that deliver good outcomes already.

Given the unique nature of the LGPS, guaranteed and funded to a large degree by council tax-payers, a critical condition specified by the SAB was that any proposals must maintain strong links to local democratic accountability.

In developing the proposals made in this report, we consulted with many LGPS stakeholders. As expected, there were many different views and suggestions made to improve the governance arrangements in the LGPS. We have reflected many of these views in the body of the report, particularly where a view or proposal was articulated by several parties, and where possible we have indicated why some of these views or suggestions have not been taken forward in the final proposals. The proposals submitted to SAB in this report are those we believe would deliver improved governance at proportionate cost and reflect a consensus across most stakeholders.

We recognise that there are a small number of administering authorities (such as London Pensions Fund Authority and the Environment Agency) with unique arrangements. While we engaged with both of these funds to understand their perspectives and approaches to governance we recognise that some of the potential governance models as set out in the survey may not be appropriate, or even possible, for these bodies.

2. Process

The aim of the work we have undertaken was to deliver proposals to the Scheme Advisory Board that:

- Identify and address any actual or perceived issues within current LGPS governance arrangements, including conflicts for LGPS host authorities;
- Are based on a wide consultation to increase the likelihood of stakeholder support;
- Are proportionate and can be readily implemented; and
- Maintain local democratic accountability.

Process

The process we used is described below:

- 1. Fact-find phase:** We carried out interviews based on an open-scripted questionnaire with a diverse range of experienced officers, elected members and other stakeholders in order to identify any issues within current LGPS governance arrangements. The outcome and conclusions were shared with SAB in order to assist in developing the governance models which were consulted on in the online survey.
- 2. Online survey:** We conducted a wider consultation in the form of an online survey on the governance models identified by SAB. Input was sought from all relevant parties including s151 officers, s151 officers of non-administering authorities, pension fund officers, elected members, pension board members including scheme member and employer representatives as well as other interested parties and organisations.
- 3. Other engagement activities:** In addition to the survey, we engaged stakeholders through other activities such as interviews, seminars and speaking events to capture as wide a view as possible.
- 4. Report:** This report sets out the outcomes of our consultation activities including a full analysis of the key issues and proposals for addressing these issues, including commentary on any required legislative or guidance changes were these would realise significant benefits.



Who we consulted

In conducting our wider consultation, we engaged directly with all stakeholder groups and all fund types via:

- Online surveys which were sent to all relevant contacts on SAB's and Hymans Robertson's databases. These were also sent to any individual or organisation that requested them out with the initial mailing lists. In total, 140 responses were received to our online surveys by the closing date.
- One-to-one interviews were carried out with individuals or organisations by request or where further clarification of online responses were sought. Organisations included PSAA, NAO, CIPFA, SLT, Unite and Unison.
- Some organisations, such as CIPFA and PIRC, provided their own written submissions.

- Three seminars were held with open invitations to collate feedback from larger group.

There are 87¹ funds within the LGPS in England and Wales. We had direct feedback from representatives at 76 of these split across the various designations used by SAB in their annual report (see **Table 1**).

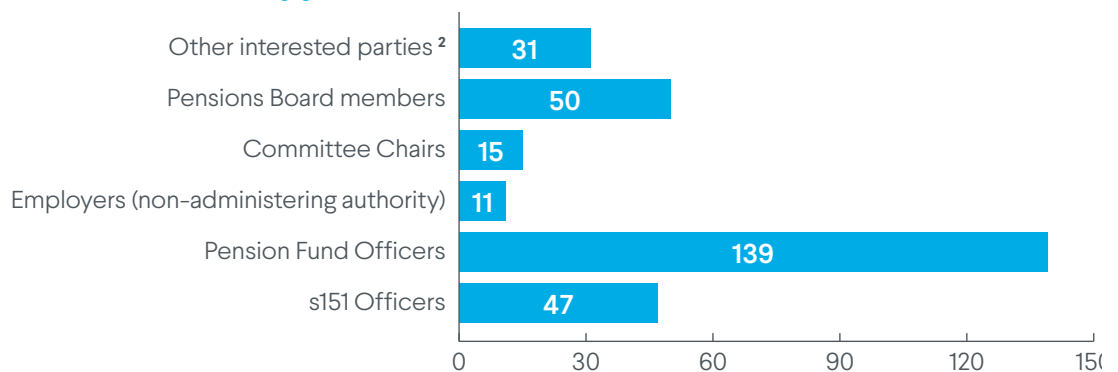
We engaged with a wide variety of stakeholders as set out in **Chart 1** below.

In addition, we have presented and collected feedback at key events over the period including the PLSA conference, CIPFA Pensions Panel, meetings of the Society of County Treasurers, Society of Welsh Treasurers and ALATS. Our findings and proposals reflect feedback from all of these.

Table 1: Respondents from LGPS funds in England and Wales, as designated by SAB annual report

	Universe	Responses	Interaction through	
			Survey	Interview
Unitary Authorities	12	11	24	17
London Boroughs	31	22	20	25
County Councils	27	26	64	55
Welsh Funds	8	8	15	14
Metropolitan Boroughs	6	6	8	17
Other	3	3	2	3
Independent responses			7	22
TOTAL	87	76	140	153

Chart 1: Stakeholders we engaged



¹ Excluding admission body funds, passenger transport funds and the environment agency closed fund.

² Including trade union representatives.

3. Survey results

The online survey issued as part of the consultation is set out in **Appendix A**. We sought views on four potential governance models SAB chose to consult on. All were assessed by respondents against criteria agreed with SAB. This was done through a combination of numerical scoring and free form commentary.

A summary of the numerical scores are set out below for each of the four structures:

- **Model 1 (Improved practice)**
 Introduce guidance or amendments to the LGPS Regulations to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
- **Model 2 (Greater ringfencing)**
 Clearer ringfencing of pension fund management from the host authority, including budgets, resourcing and pay policies.
- **Model 3 (Joint committee)** Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes joint committee responsible for recommending budget, resourcing and pay policies.
- **Model 4 (New Local Authority Body)**
 An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act 1972 provisions.

In carrying out the survey, respondents were asked whether each of the models shown would have a positive or negative impact on each of the following criteria:

1	Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
2	Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
3	Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such as budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
4	Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
5	Representation	The model allows for appropriate involvement in decision-making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
6	Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.



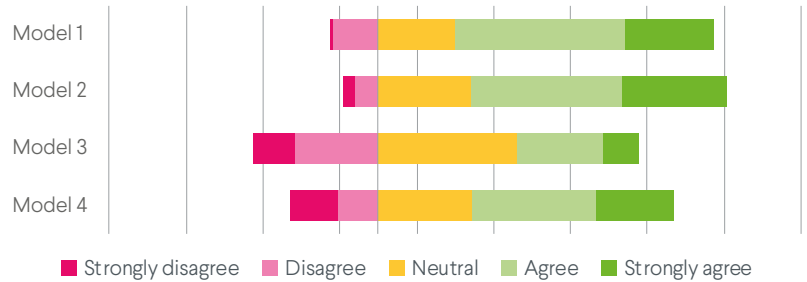
2. Survey results (continued)

The following charts summarise the extent to which respondents agreed that each model delivered against the six criteria. The further to the right the line appears, the more strongly respondents favoured the model against the criteria.

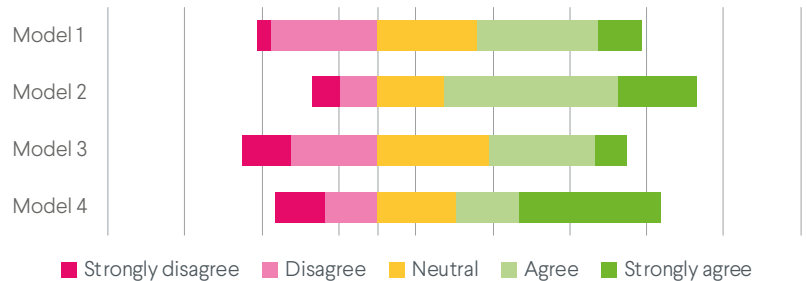
Comments on survey responses

- Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.
- Model 4 scored reasonably well on questions relating to criteria 1 to 4. A minority of respondents supported this model or some variation on it. For example, one of the trade unions favoured a variant of Model 4 with a changed role for local councillors because they believe that it could reduce potential governance conflicts they see in the role of local councillors who must act in the best interests of scheme members and at the same time in the interests of local tax-payers. However, the majority of respondents raised concerns over the question of appropriate involvement in decision making. These respondents felt that democratic accountability may be weakened in this model or the influence of the lead local authority, who is the guarantor of last resort for the fund, would be diluted. The model also scored very poorly on cost or value for money with a majority of respondents feeling that the model would be very expensive and disruptive to implement.
- Model 3 received weakest support overall. Respondents felt that the model would be complex to set up and manage and would deliver no perceived improvements in governance outcomes.
- The sentiment reflected within the commentary in the responses was also strongly in favour of Models 1 and 2, with many respondents identifying features of Models 1 and 2 that are already delivered in their current structure.
- However, responses also recognised that in order to achieve governance improvements through Models 1 and 2, the governance regime needs to include independent monitoring or review of local fund arrangements to ensure that everyone attains a minimum standard and that those beyond that level seek continuous improvement.

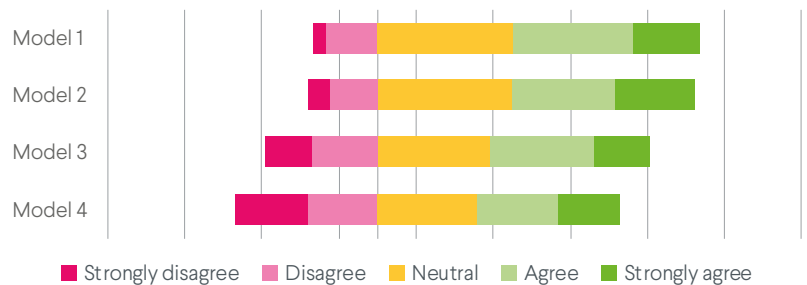
The model enables funds to meet the required standards



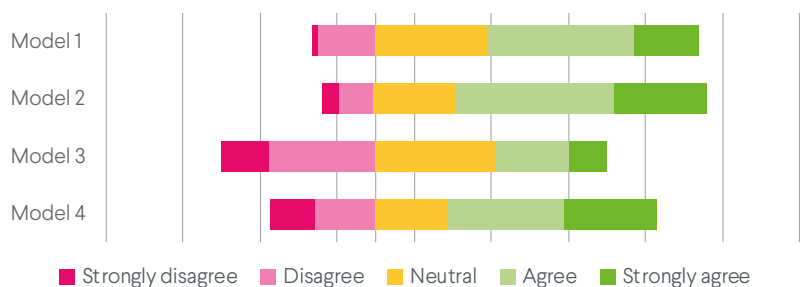
The model minimises conflicts between the pension function and the host local authority



The model allows for appropriate involvement in decision-making for key stakeholder

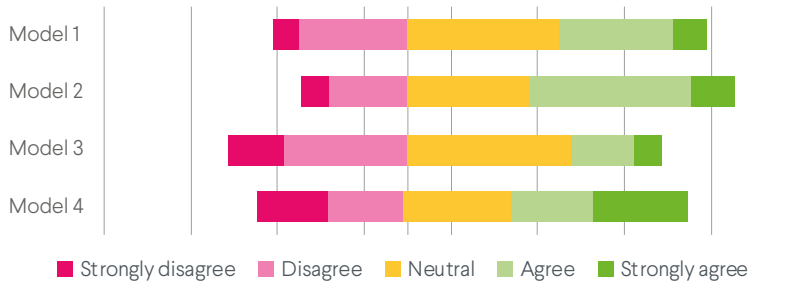


The model delivers clarity of accountability and responsibility for each relevant role

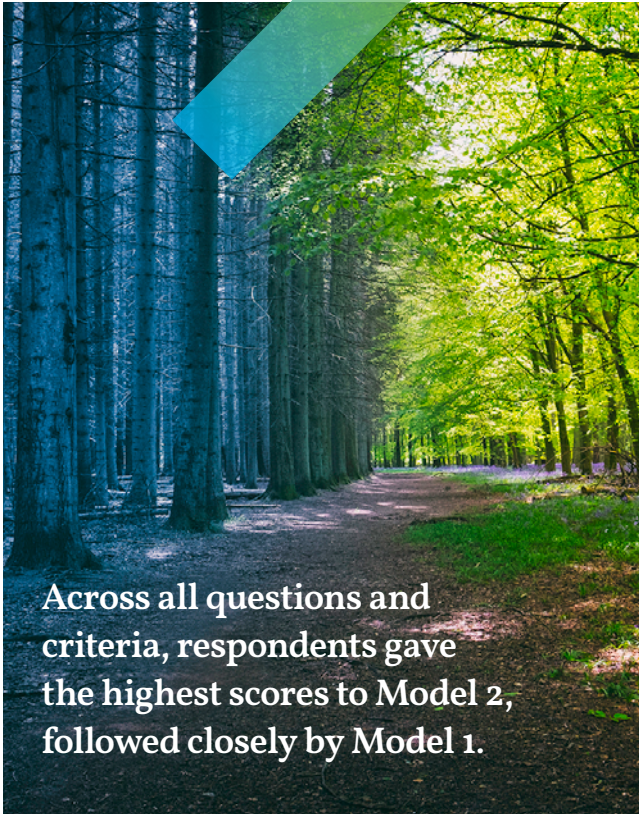
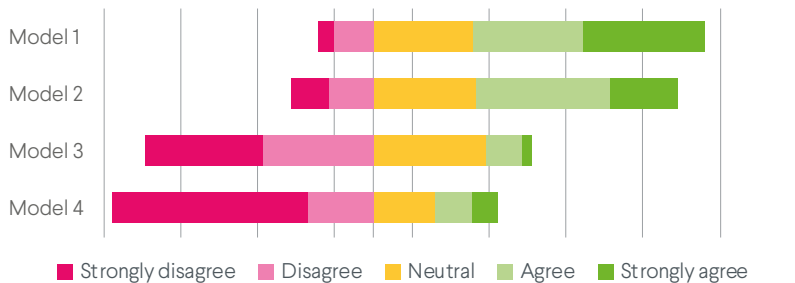


2. Survey results (continued)

The model minimises dependence on professionalism and relationships to deliver statutory responsibilities



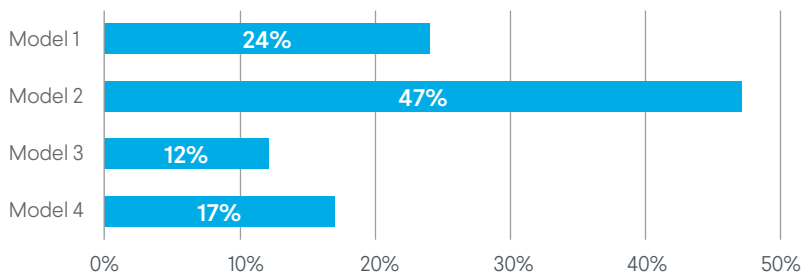
The cost of implementing and running the model is likely to be worthwhile versus benefits delivered



Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.

PLSA

Which structural governance model do you prefer from the four models discussed?



Additional survey data

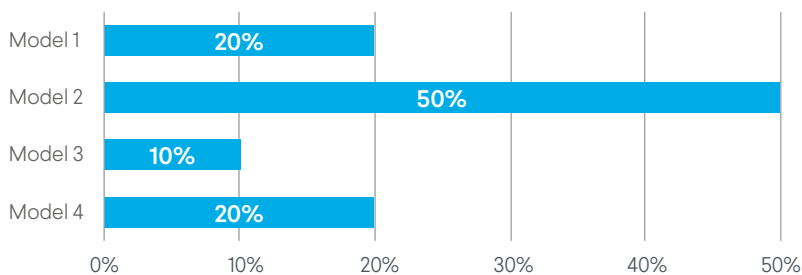
In addition to the online survey, we asked attendees at our PLSA session and other events a set of questions on their preferences.

Around 70% of respondents favoured Models 1 or 2.

Very similar results (from a smaller sample size) were recorded at our webinar.

Webinar

Which structural governance model do you prefer from the four models discussed?



4. Survey themes

The following section reflects some of the views raised during various conversations. Direct quotations reflect a specific point made by an individual which we judged to be representative of views of a number of respondents. Comments not in quotations are our expression of views expressed by a significant number of respondents.

Key:

CC	County Council
Met	Metropolitan
LB	London Borough
TU	Trade Union

Standards

1. There was an almost unanimous view that there should not be a single model of LGPS governance imposed on all funds.
2. The view 'one size does not fit all' was frequently stated by respondents from all categories of respondent.
3. There was a strong view from respondents that members of pension committees should be mandated to have the same level of training as local pension board members.
4. A small minority expressed the view that this would lead to problems getting elected members to sit on pension committees.
5. The fact that pension committee members can change due to elections or being moved around can cause problems with consistency and maintaining knowledge and skills.

“It is a perversion that LPB members require a higher degree of training than elected members.”

Officer, LB

“[The] biggest issue is stability at elected member level. Too much turnover.”

Officer, LB

6. Several respondents said that guidance from several sources caused confusion as to which was current, which was relevant and what are 'musts' (mandatory) and 'shoulds' (guidance or best practice):

“Funds are currently pulled in too many directions by lots of guidance – CIPFA, SAB, TPA etc.”

Officer, CC

“[Guidance from numerous sources] muddies the waters between what is statutory guidance and what isn't.”

Independent Advisor

7. The idea of extending the existing concept of peer challenge to include pensions was mentioned by some respondents. (Committee Chair CC, s151 CC and officers Met)

Clarity of decision-making

1. Some respondents felt that there was already a clear framework around decision making within their authority but other reported that there was very little clarity around where key decisions were made.
2. Two funds suggested that it was unclear who was responsible for decisions around outsourcing the administration function; was it the pension committee, s151 officer, full council?
3. One fund reported it very difficult for the council's constitution to be updated - the updates required for pooling have still not been made.
4. Greater clarity around decision-making is a good idea: **"Some decision-making conventions are lost in the mists of time."**

Officer, CC



Consistency

1. Commentary on Models 1 and 2 recognised that some sort of monitoring, enforcement or independent review would be needed to ensure that the required standards and governance outcomes are delivered.
2. There was strong support for the professionalism of s151 officers and the role they play.
3. A few respondents noted that the work pressures on s151 officers is greater than ever before and worried about their scope to devote the necessary time to the fund.

"My s151 is incredibly supportive and helpful but I accept s151s at other funds are not as engaged or are engaged in the 'wrong way'".

Officer, CC

"Separation would actually push s151s away from the fund, leading to less responsibility and engagement with the fund, leading in turn to less expertise and worse decisions. Better to get s151s more closely involved so they understand the requirements of the LGPS and make better decisions."

Officer, CC

4. A number of respondents stated that "Statutory/ fiduciary duty clarity would be useful."



Conflicts

1. Most respondents felt that there was acknowledgement of the potential conflict faced by elected members and officers and that those potential conflicts were managed well.
2. However, it was not unusual for respondents to suggest that there needed to be better distinction between the employer and administering authority role.

“No one in the council understands the difference between the ‘council’ function and the ‘pension’ function.”

Officer, LB

“The make-up of panel/committees is not working – too much political interference.”

LPB Chair

On conflicts:

“I don’t see abuses. The ability is there for there to be abuse but it doesn’t happen.”

Officer, CC

“LGPS is full of conflict, s101 committees are beholden to the council who are mainly focused on council tax-payers.”

TU

3. Some pointed out that concentrating on conflicts missed some of the advantages of LGPS funds being part of local authorities.

“[This review] should address the many advantages and benefits of working for a large, well-run and modern council.

s151 CC

“[s151] role involves tensions, not conflicts. Tension can’t always be seen as a bad thing.”

Officers, Met

Budgets and resourcing

1. There was a range of approaches when it came to budget setting. In some instances, the budget available to the pension fund was determined as part of the wider council budget setting process with little or no input from pension officers and no role for the pension committee. Other funds reported that budget setting and in-year management of the budget was the responsibility of pension officers and that the local authority’s s151 was ‘kept informed’.

“It hadn’t occurred to me that the [pension] committee could get involved with budget setting. Guidance on that would be good.”

Officer, LB

“Potential problems include transparency in the AA of its costs. Recharges of time. Costs recovered by the AA via the PF.”

LPB Chair

2. There was also a split in terms of whether funds had the ability to set their own staffing or whether they were subject to recruitment freezes or downsizing exercises that apply to the main council.

“[There should be] resourcing such that there is the quality and competence to deliver their statutory duties”

s151, CC

One s151 expressed **“disbelief that blanket hiring bans and pay policies affected the pensions section. s151’s should be flexible enough to understand how to ‘spend’ resources. If they need to pay differently for pensions to get the right experience/quality.”**

s151, CC

When it comes to budgeting and workplans

“...the s101 committee decides including requests for extra resource if required.”

Chair of Committee. CC

Representation

1. Most respondents felt that there was a role for some sort of scheme member presence on pension committees, although there was a difference of opinion about whether this should be a voting role or an observer role. A number of funds suggested that the scheme member role should not be limited to trade union representative. All agreed that the majority representation must lie with the administering authority.

“Less than 50% of our members are in a union.”

s151, CC

“Representation is key – members must have a say”

TU

“Other employers reps and member reps should have voting rights [on the committee]. That’s right and should happen.”

Chair of Committee, CC

“We are warm towards the idea of an independent advisor/trustee who sits on committees.”

s151, CC

“We want to improve things for our members in terms of governance, transparency and representation.”

TU

2. There were strong views on both sides about the value that local pension boards bring. Some feeling that they increased bureaucracy without adding value while for others they had become a useful part of the fund’s governance arrangements.

“I welcome the involvement of the Pension Board it adds value, second opinion.”

Chair Committee, CC

One respondent believed that joint committee and local pension boards **“give scheme members and other employers a voice and avoids duplication.”**

s151, CC

“Many administering authorities see boards as threats rather than opportunities. There are still boards who are dictated to. Need administering authorities to release tight control.”

Chair of LPB

3. There were a range of practices in how funds engaged with employers:

“As s151 of a non-admin authority, I didn’t feel engaged in the pension fund, it was something that was dictated to me every few years.”

s151 speaking of their time in a non administering authority

“Employer liaison is tricky as your participating employers often don’t see it as a priority.”

s151, CC



5. Examples of current best practice

It was apparent during our conversations that many funds exhibited excellent examples of good governance but that practices across funds were not consistent. This section captures some of the examples of best practice that we identified.

Regular governance reviews

A number of funds confirmed that they use internal audit to provide assurance on administration and governance matters. Some reported an annual programme of work with different aspects of delivery being assessed each time.

Other funds had commissioned external governance reviews in order to receive an independent assessment of their current arrangements.

Committee membership and effectiveness

A large number of funds stated that they required pension committee members to attain the same level of knowledge and expertise as local pension board members. This was achieved through training policies which set out clearly how the fund will deliver training and assess its effectiveness.

One fund reported how members of the pension committee are required to sign a declaration stating that they will act in the interests of the fund and not be influenced by party political matters. One view is that councils should waive the requirement for political representation on committees to allow the most appropriate members to sit, rather than allocate places according to political party.

Most funds have some sort of scheme member representation on pension committees and a small number allow scheme member representatives to vote.

Independence

A number of funds reported that there was a clear understanding of, and separation between, the functions of the pension fund and the local authority which recognised the specialist nature of the LGPS. This was typically achieved through one or more of the following features:

- A dedicated Head of Pensions role which was at an appropriately senior level within the authority's structure.
- A recognition by elected members serving on the pension committee that, when carrying fund specific business, they were acting on behalf of scheme members and all of the employers in the fund, not simply their own local authority.
- Independent business planning and resourcing decisions made by pension fund officers and signed off by the pension committee and s151. This allows the pension fund to plan and resource appropriately to deliver its strategic objectives.
- Pension fund not subject to same recruitment freezes or restructuring exercises applied at a council level. Some funds reported using market supplements to attract appropriately skilled staff, where a strong business case could be made.

Focus on quality of service to scheme members

Some funds were prepared to 'go the extra mile' in terms of the quality of service delivered to scheme members. This might involve encouraging face-to-face interaction between pensions staff and scheme members (particularly when considering complex or emotive matters), producing a range of communications aimed at active, deferred and pensioner members or holding annual member meetings to raise awareness of current issues.

6. Proposals

The proposals we set out for consideration by SAB are informed by feedback from stakeholders. Many are things which well-run funds already do.

- **Table 1** shows the proposals in summary.
- **Table 2** sets out the rationale for each proposal and, if SAB agrees with proposals, suggested actions to implement.

Table 1: Summary of proposals

1	'Outcomes-based' approach to LGPS governance with minimum standards rather than a prescribed governance structure.
2	Critical features of the 'outcomes-based' model to include: <ol style="list-style-type: none"> Robust conflict management including clarity on roles and responsibilities for decision making. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance - this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
3	Enhanced training requirements for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
4	Update relevant guidance and better sign-posting.

Table 2: Rationale for proposals and suggested actions

	Proposal	Why	Suggested actions
1	'Outcomes-based' approach to LGPS governance rather than a prescribed governance structure.	<p>We observe (and the survey evidences) that different administering authorities with the same governance structure can have different outcomes in terms of quality and standards of governance. All the governance models in the SAB survey can deliver good or bad governance outcomes. Focussing on the desirable traits and outcomes expected of LGPS governance will enhance governance in a more reliable and cost-effective manner than prescribed changes in structure.</p> <p>Further, we do not believe it is appropriate to impose a 'one size fits all' approach.</p>	<ol style="list-style-type: none"> SAB should consult on: <ul style="list-style-type: none"> Desirable features and attributes of LGPS governance arrangements; The outcomes governance arrangements should be expected to deliver; and How each administering authority might evidence that its own governance model displays the required attributes. Once identified and agreed through consultation, the desirable features and expected outcomes should be set out in statutory MHCLG guidance (replacing the 2008 CLG guidance).



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2	<p>Critical features of the ‘outcomes-based’ model to include:</p> <ol style="list-style-type: none"> Robust conflict management. Assurance on sufficiency of administration resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance. 	<p>The detailed specification of the desirable features and expected outcomes of an ‘outcomes-based’ model are beyond the scope of this project and should be determined in a second stage of work and through consultation.</p> <p>However, based on responses to the survey we propose a small number of critical elements to ensure this approach is effective. These proposals are shown below under 2(a) – (d).</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>
2a	<p>Robust conflict management.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> Published conflicts policy. Protocols for setting and managing budgets. Schemes of delegation. Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers. 	<p>Elected councillors and s151 officers have multiple competing statutory responsibilities, within their roles in the LGPS and in wider council responsibilities. High professional standards and experience help them to navigate. Additional measures specific to their LGPS duties can help reduce conflicts and perception of conflicts.</p> <p>Many administering authorities already have a conflicts policy or alternative arrangements to help reduce the risk of conflicts including, for example, schemes of delegation or well defined and documented roles and responsibilities.</p>	<p>SAB should consider making this a mandatory feature of any ‘outcomes-based’ governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2b	<p>Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.</p> <p>This will require a transparent approach to setting and managing budgets.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. <p>Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes.</p>	<p>The administrative burden on the LGPS has increased significantly due to increasing complexity (pre- and post-Hutton benefits) and the massive growth in employer numbers.</p> <p>At the same time, there is increased scrutiny from TPR and risk of fines and other regulator interventions.</p> <p>It is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems.</p> <p>This aim must be supported by transparent processes for setting appropriate budgets.</p> <p>Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.</p> <p>Many administering authorities already have pay and recruitment policies relevant to the needs of their pension functions rather than being tied to the general policies of the council.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>
2c	<p>Explain policy on employer and member engagement and representation in governance.</p> <p>At the current time, employer and member representation (with or without voting rights) should be encouraged but not compelled. Decisions on the approach to member representation should remain a local matter but administering authorities should explain their approach.</p>	<p>Most administering authorities have non-administering authority employer and scheme member representatives.</p> <p>Non-administering authority employers are often chosen to represent certain employer constituencies (e.g. academies, FE, charities and housing associations).</p> <p>In some cases, scheme member representatives have voting rights.</p> <p>»</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
		<p>Many survey respondents support greater encouragement to include scheme member reps on s101 committees.</p> <p>However, administering authorities prefer some local flexibility on this, including how representatives are selected and whether they have voting rights. Importantly, administering authorities should retain majority voting representation because of the statutory responsibilities they bear.</p>	
2d	<p>Regular independent review of governance to assess effectiveness of administering authority's governance arrangements in the context of the desirable features and expected outcomes set out in guidance on an 'outcomes-based' model. This should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.</p> <p>Guidance should not prescribe the approach but could set out acceptable methods which may include:</p> <ol style="list-style-type: none"> i. Internal or external audit assessment; ii. Scrutiny by LPBs; iii. A peer review process. 	<p>It is important that any 'outcomes-based' approach is policed.</p> <p>Self-assessment is insufficient. Independent review is required for a more objective assessment.</p> <p>We discovered that some funds do this on a regular basis already using a variety of approaches including internal and external audit and other external experts and advisors.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>

Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
3	<p>Enhanced training requirements for s151s and s101 committee members. This is to include all s151 officers, not just those currently with administering authority responsibilities.</p>	<p>s151s: Current CIPFA training does not have specific pensions modules. CPD for those at or close to s151 level would be more effective and have impact sooner than changes to exam syllabus, although the latter would also have longer term benefit. Greater understanding of the LGPS amongst the wider s151 community may also reduce perception of conflicts.</p> <p>s101 committees: Currently the training requirements for Local Pension Board members (which are statutory) are more onerous than those for s101 committee members. Survey respondents felt this inconsistency was unacceptable and that s101 training should be on a par with LPB requirements.</p>	<ul style="list-style-type: none"> i. CIPFA to develop a CPD module for s151 practitioners in the LGPS. ii. SAB / MHCLG statutory guidance to require training for s101s to be on a par with members of Local Pension Boards.
4	<p>Update relevant guidance and provide better sign-posting.</p> <p>It would also be helpful to provide greater clarity to officers and elected members on their statutory and fiduciary obligations.</p> <p>As well as sign-posting, there should be clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice)</p>	<p>The main guidance relevant to governance includes:</p> <ul style="list-style-type: none"> i. CIPFA guidance for s151s in respect of LGPS responsibilities (2014); and ii. CLG's statutory guidance on governance of governance compliance statements (2008). <p>Both pre-date PSPA 2013, involvement of TPR in LGPS governance and investment pooling.</p> <p>Both must be updated.</p>	<ul style="list-style-type: none"> i. CIPFA to review and update guidance for s151s in respect of LGPS governance. ii. MHCLG to review and update statutory guidance on governance. In particular, this should put greater emphasis on non-investment aspects of governance such as administration. iii. SAB should consider commissioning legal input to give greater clarity on statutory and fiduciary responsibilities of s151 officers and s101 elected members. iv. SAB or MHCLG should provide greater clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice.)

Table 3: Other ideas considered but rejected or out of scope

	Proposal	Reason for non-recommendation
1	Separate s151 for pension fund.	<ul style="list-style-type: none"> • A benefit would be specific focus on LGPS matters and therefore greater depth of understanding. • However, this is unlikely to help reduce conflicts (the pension fund s151 still has fiduciary responsibility to local tax-payers and may report to council s151) and may not be practical for smaller funds with greater resource constraints.
2	Compulsory benchmarking.	<ul style="list-style-type: none"> • Concerns because benchmark data not like for like (e.g. same cost per member but different service); and (ii) risk this drives lowest common denominator results instead of innovation in service delivery • We recognise that benchmarking has a place and would welcome the development of more sophisticated forms of benchmarking that focus on the quality of the service delivered.
3	Legal separation of pension fund accounts.	<ul style="list-style-type: none"> • Requires change in primary legislation. • Pension fund accounts already separated, audited and shown in Pension Fund Annual Report (annual report is a statutory requirement). • It is unclear what additional benefit there is in legal separation of PF accounts from administering authority/council.
4	Mandating extension of audit to include an opinion on suitability of LGPS governance arrangements.	<ul style="list-style-type: none"> • Some funds commission an external (or internal) audit view voluntarily. • NAO has confirmed that this could only be mandated through legal separation of pension fund accounts (see above). • Concerns on some external auditors' lack of LGPS knowledge and lack of continuity due to changing personnel. • Preference to allow flexibility in approach to independent assessment of governance arrangements and their efficacy.
5	Removing s151 from decisions around admin budgeting due to conflicts.	<ul style="list-style-type: none"> • s151 has statutory responsibility.
6	Merger of funds to facilitate different governance models.	<ul style="list-style-type: none"> • Weakened link to local democratic accountability. • Outside of the scope of the project.



Table 4: Suggested follow up work beyond the scope of this report

	Suggested follow up work	Why
1	SAB to consult on detailed specification of desirable features and expected outcomes from an 'outcomes-based' model.	<ul style="list-style-type: none"> • Important to get buy-in and support for the practical details of an 'outcomes-based' governance model.
2	CIPFA and MHCLG to update existing guidance.	<ul style="list-style-type: none"> • Existing guidance is out of date.
3	Commission legal work to provide greater clarity on statutory versus fiduciary obligations (s151 and s101 committee members).	<ul style="list-style-type: none"> • Statutory responsibilities take precedence. • Currently unclear.
4	SAB to consider a 'Good Administration' review.	<ul style="list-style-type: none"> • Survey respondents expressed interest in some work to set out what good administration looks like, examples of current best practice, good approaches to meeting the needs of scheme members and employers, and greater clarity on what standards will be required to satisfy TPR. • This will help administering authorities to be clear what standards they must achieve in order to provide 'assurance' that administration resources are sufficient in quantity and competency, identify any gaps and determine what practical steps they might take to address those gaps.
5	SAB to consider a review of the role of Pension Boards in LGPS.	<ul style="list-style-type: none"> • Very mixed reports on the role and success in working with Pension Boards in the LGPS.



Table 5: 'Outcomes-based' model – concept illustration

	Outcome: examples	How to demonstrate that your governance model complies: examples
1	Robust conflict management.	<ul style="list-style-type: none"> • Conflicts policy. • Scheme of delegation or decision matrix setting out who makes what decisions. • Transparent process for approving budgets. • Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
2	Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.	<ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. • Process for setting administration budget. • Policies in respect of recruitment and market supplements to attract and retain staff.
3	Explain policy on employer and member engagement and representation in governance.	<ul style="list-style-type: none"> • Set out approach to employer and member engagement e.g. communication plan, AGM, employer liaison and support. • Set out approach to participation of non-administering authority employers in governance of fund e.g. representatives of academies, admitted bodies, FE, charity sector, etc. • Set out approach participation of scheme members in governance (e.g. observers, voting members, how selected, etc.) and rationale for approach.
4	Regular independent assessment of governance arrangements.	<p>State method e.g.</p> <ul style="list-style-type: none"> • Internal or external audit assessment; or • Scrutiny by Local Pension Board; or • External expert / consultant; or • Peer review process. <p>Describe scope and approach e.g.</p> <ul style="list-style-type: none"> • Reviewing policies, meeting minutes. • Reviewing committee efficacy in decision-making, etc.

Appendix A

Scheme Advisory Board: Good Governance Survey

The following pages replicate the online Good Governance survey on governance models for the LGPS. The survey closed on 31 May 2019.

Introduction

The Scheme Advisory Board has commissioned Hymans Robertson to review LGPS governance structures and practices. This survey is part of a key part of the project and we are keen to collect views from as wide a range of stakeholders as possible. Further details on the scope and background to the project can be found on the SAB website.

To help inform this survey and the options for governance change presented for feedback, views were sought from a representative range of LGPS stakeholders (including pension fund officers, section 151 officers, trade unions and other advisors) in order to understand the issues and challenges that the current LGPS governance arrangements present.

Examples of issues cited by respondents included:

- **Clarity:** There is sometimes lack of clarity over roles and responsibilities.
- **Conflicts:** A number of stakeholders raised the issue of perceived conflicts of interest between the fund and the council, in particular for the section 151 of the administering authority given his or her responsibilities for the financial management of other council functions. It was suggested these could manifest themselves in terms of the strategic decisions taken by the fund in respect of funding (contribution rate decisions) and investment or in respect of allocating resource to the pension fund.
- **Consistency:** It is widely recognised that there are many examples of good practice within the LGPS and that section 151s and pension funds manage these conflicts well. However, it was noted that this good practice largely relies on the professionalism and good will of individuals and the ethos of the authority. There is very little regulation or guidance that would safeguard the situation if such high standards were absent.
- **Representation:** The issue of appropriate representation was raised, in particular for non-administering authorities. Some respondents suggested that there could be improvements in the way administering authorities engage with the other employers in the fund on administration resourcing as well as funding, contributions and investment matters.
- **Standards:** It was also noted that LGPS funds evidence varying levels of compliance with the standards for administration, funding and investment set out in statutory legislation, relevant guidance and the TPR Code of Practice 14.
- **Miscellaneous:** Other issues raised included lack of continuity in committee members; shortage of in-house skills, expertise and subject matter knowledge in investment and funding; and restrictions on recruitment and pay policy for the pensions function.

Please use the box below to provide details of any additional issues which you believe the Board should address as part of this exercise.

Comment box provided.



The criteria

Based on the issues raised by stakeholders, the Board has agreed 6 criteria which will be used to assess any proposed changes to LGPS governance arrangements.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.

Please use the box below to provide details of any additional criteria which you believe the Board should consider as part of this exercise.

Comment box provided.



Governance models in this survey

The Scheme Advisory Board would like to hear your views on four governance models set out below.

Option 1 – Improved practice: Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.

Option 2 – Greater ring fencing of the LGPS within existing structures: Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.

Option 3 – Joint Committee (JC): Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.

Option 4 - New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

It is recognised that a one size fits all approach may not be appropriate.

Final recommendations by SAB could be variations on the models described here, taking account of your feedback. Any regulation changes needed will be fully assessed before SAB makes final recommendations. We have not provided detailed costing of each of the models presented in the survey. The cost of implementation would in any case vary across different funds, but, generally, the effort and cost to implement increases as we move from Option 1 to Option 4. Detailed costing of any recommendations emerging from this exercise would be undertaken prior to implementation.

In the next section we set out a brief description of each of the options along with the opportunity for you to provide your views on how well each option compares against the agreed criteria.

For brevity the option descriptions have been included on the next two pages, followed by the response form (which was identical for all four options).



Option 1 - Improved practice

Features

- SAB guidance on minimum expected levels of staffing and resourcing;
- SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards.
- Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds.
- LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.

Option 2 - Greater ring fencing of the LGPS within existing structures

Features

- The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs.
- Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front.
- Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid through the host authority's revenue account to be recharged at a later date.
- The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s.*)
- The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year.
- The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain.
- Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit.

In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council.

- Staff will continue to be employed by the host council but polices over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee.
- Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee.
- Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee.*

* Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.



Option 3 - Use of new structures: Joint Committees (JC)

Features

- The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers.
- Consideration could be given to the representation of other employers and scheme members on the JC.
- Assets and liabilities still sit with the existing administering authority.
- Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA).
- The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.

Option 4 - New local authority body

Features

An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

This might be through a combined authority route or through a public body established by statute.

- The new body must retain a strong link to democratic accountability.
- Employment of staff and contractual issues dealt with by the new body.
- Assets and liabilities transferred to the new body.
- Separate accounts based on CIPFA guidance.
- Funded by an element of the contribution rate and by a levy on constituent authorities.
- Officers in the new body are responsible only for the delivery of the LGPS function.



Please use the voting buttons to indicate to what extent moving from existing arrangements to Option (1, 2, 3 or 4) would achieve each of the criteria.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.	Strongly disagree 1 2 3 4 5 Strongly agree
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).	Strongly disagree 1 2 3 4 5 Strongly agree
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).	Strongly disagree 1 2 3 4 5 Strongly agree
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.	Strongly disagree 1 2 3 4 5 Strongly agree
Consistency	The model minimises dependence on professionalism and relationships to deliver statutory responsibilities.	Strongly disagree 1 2 3 4 5 Strongly agree
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.	Strongly disagree 1 2 3 4 5 Strongly agree

Please provide any comments you may have regarding Option 1/2/3/4 in the box below.

Comment box provided.

Finally, respondents were asked:

Are there any alternative governance structures not covered between Option 1 – Option 4 which you believe the Board should consider?

Comment box provided.

Appendix B

Abbreviations

Abbreviations

ALATS	The Association of Local Authorities' Treasurers Societies
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
CPD	Continuous Professional Development
FE	Further Education
JC	Joint Committee formed under s102 of the Local Government Act 1972
LA	Local Authority
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
PF	Pension Fund
PIRC	Pensions and Investment Research Consultants Ltd
PLSA	Pension and Lifetime Savings Association
PSPA 2013	Public Service Pensions Act 2013
PSAA	Public Sector Audit Appointments
s101	A committee established under s101 of the Local Government Act 1972
s151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board for the Local Government Pension Scheme in England and Wales
SCT	Society of County Treasurers
SLT	Society of London Treasurers
SWT	Society of Welsh Treasurers
TPR	The Pensions Regulator



The LGPS Community

The purpose of this document is to explain the relationship between the different bodies that make up the Local Government Pension Scheme (LGPS) community. It does not explain the governance structure of the LGPS, which is already well documented, and is not a comprehensive guide to the roles and responsibilities of the bodies that make up the community.

The Pensions Regulator's (TPR) [website](#) provides information on the governance structure for public sector pension schemes and the respective roles and responsibilities.

Readers should note that the LGPS in England and Wales, Scotland and Northern Ireland are three different pension schemes.

The diagram on the next page illustrates the formal relationship between the different bodies. In reality, many of the bodies work together informally on a collaborative basis and are in regular contact.

LGPS administering authorities

Each administering authority is responsible for managing and administering the LGPS in relation to its members. The administering authority is responsible for maintaining and investing its own fund for the LGPS.

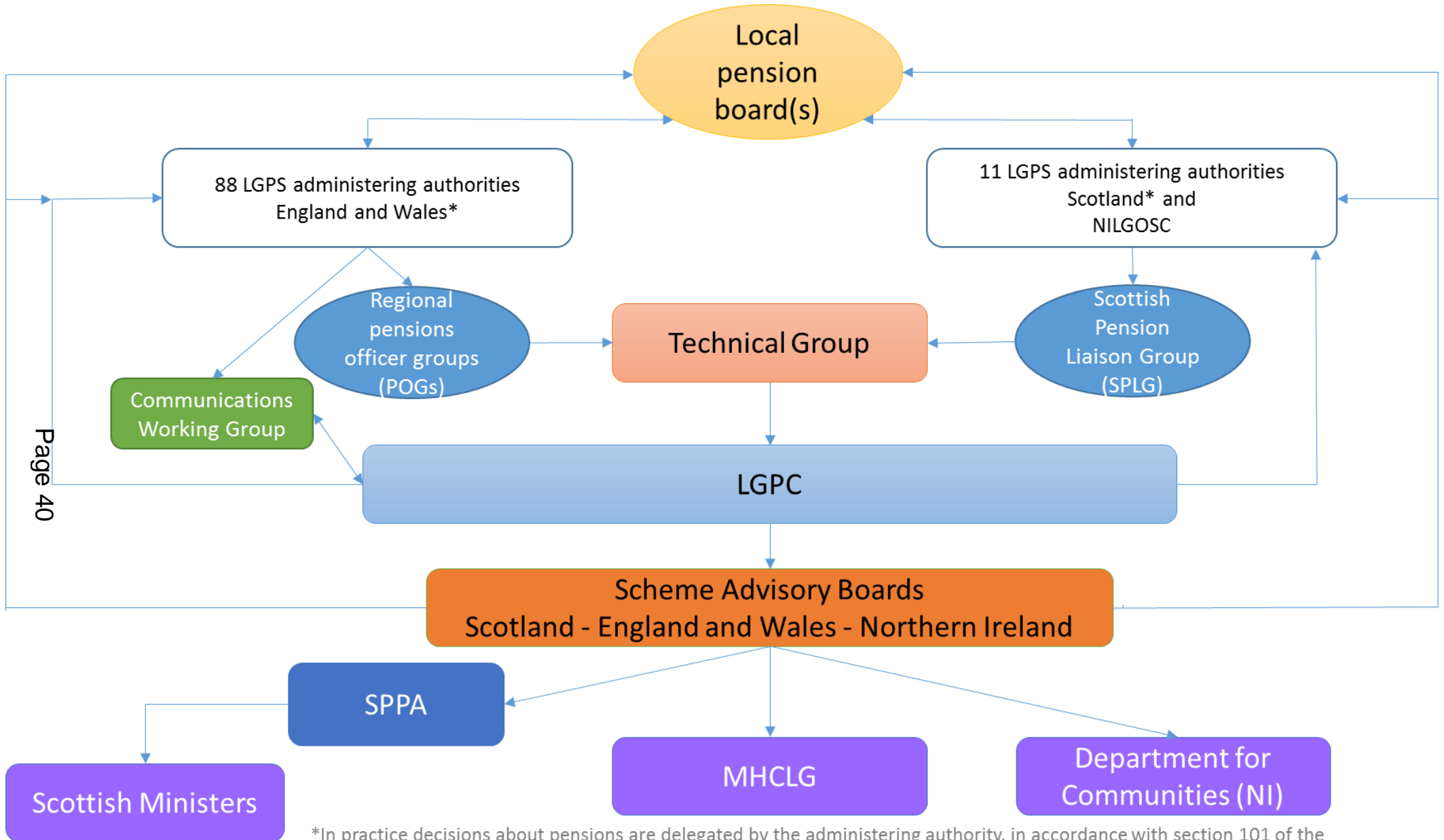
Where the administering authority is also the local authority (as is the case for the majority of administering authorities) it is not possible for certain decisions about pension allowances or the amount of pension to be paid to employees to be an executive decision. This means in practice that decisions about pensions are delegated in accordance with Section 101 of the Local Government Act 1972 Act to:

- pension committees or sub committees made up of the administering authorities' councillors (from all political groups). Some of the committees / sub committees will also have additional co-opted members such as employer and scheme member representatives, or
- administering authority officers.

Each administering authority must have in place a governance compliance statement setting out whether it delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority.

Each administering authority will decide whether the day to day administration of the LGPS is performed in-house, by a third party or as part of a shared service agreement with another administering authority.

In Northern Ireland, the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) is responsible for managing and administering the LGPS in relation to members of the LGPS in Northern Ireland. It is also responsible for maintaining and investing the pension fund.



*In practice decisions about pensions are delegated by the administering authority, in accordance with section 101 of the Local Government Act 1972, to pension committees, sub-committees or officers

Pension officer groups (POGs)

POGs provide an opportunity for pension administrators (usually the pension manager and/or deputy manager) to meet on a regular basis to discuss current issues and share best practice. In Scotland the group is referred to as the Scottish Pensions Liaison Group (SPLG) and is also attended by representatives from NILGOSC.

In England and Wales there are eight regional POGs:

London	East Midlands
South East	Shrewsbury
Wales	Southern area
South West	North of England

Meetings usually take place quarterly.

Where an issue or query cannot be resolved within the POG itself, or a national view is required, it is referred to the Technical Group for consideration.

The LGPC Secretariat attends POGs to provide updates on the latest developments and provide technical support. Further information about POGs, including meeting dates and the contact details for POG chairs can be obtained by emailing the LGPC Secretariat – query.lgps@local.gov.uk.

Technical Group

The Technical Group is made up of nominees from the POGs and SPLG. Each POG is able to nominate up to two representatives for membership, whilst SPLG and NILGOSC are able to nominate one member each.

The group is also attended by representatives of the following organisations:

- LGPC
- Ministry of Housing, Communities and Local Government (MHCLG)
- Scottish Public Pensions Agency (SPPA¹)
- Department for Communities (Northern Ireland)

The POG and SPLG nominees are able to raise any issues / areas for discussion identified at the regional POGs.

The purpose of the Technical Group is set out in its [terms of reference](#) – a summary is provided below:

- to provide advice and guidance to POGs and administering authorities, in particular in relation to the interpretation of legislation
- to assist with the development of consistent standards and improve the quality of information available to LGPS administering authorities

¹ SPPA provides policy advice to Scottish Ministers on public sector pension issues and is responsible for developing the regulations for Scotland's LGPS – and for determining any appeals made by its members

- to liaise with the responsible authority² for each LGPS scheme
- to represent the views of administering authorities in relation to the direction of pension policy and the desirability of making changes to Scheme regulations.

The group is facilitated by the LGPC Secretariat who publish the minutes on their [website](#) for LGPS administering authorities and employers.

Communications Working Group

The Communications Working Group (CWG) is a collaborative forum made up of representatives from 20 administering authorities in England and Wales. The group meets on a quarterly basis to develop items of communication for scheme members in the LGPS. The group was created and is run by the LGPC.

The CWG provides the opportunity for LGPS funds to share knowledge and experience in the field of communications and to assist the LGPC secretariat in the development and provision of centrally devised communications resources.

The CWG priorities include the identification of best practice within pension communications generally and the LGPS specifically, exploring the areas where centrally produced communications would save individual LGPS funds financial resources and staff time.

The documents produced by the LGPC in conjunction with the CWG for the LGPS can be found on LGPC's [website](#) for administering authorities and employers, along with the annual work plan and actions and agreements from each meeting.

Individuals can put themselves forward for membership of the group to the [LGPC secretariat](#) for consideration. To ensure effective debate and discussion can occur, the optimum number which the group aims to retain is approximately 20 members. Once at capacity the group will retain requests for membership from other interested parties and where members leave or are unable to attend meetings then consideration will be given by the Secretariat to incorporate these requests.

Local Government Pension Committee (LGPC)

The LGPC is a committee of councillors constituted by the:

- Local Government Association (LGA)
- Welsh Local Government Association (WLGA)
- Convention of Scottish Local Authorities (COSLA)

As such, it covers the LGPS administering authorities in England, Scotland and Wales. Councillors are nominated for membership of the LGPC by their respective political group at the LGA - each political group has its own [appointment process](#).

Membership numbers mirror the political balance of the LGA. The chair is a committee member from the largest political group at the LGA and is nominated for the role by the Committee.

² Defined in the Public Service Pensions Act 2013 as the person who may make scheme regulations

The Committee meets four times a year. Meetings are facilitated by the LGPC Secretariat and are also attended by representatives from the following organisations:

- SAB England and Wales - the nominated practitioner representative
- the Technical Group
- Ministry of Housing, Communities and Local Government (MHCLG)
- Scottish Public Pensions Agency (SPPA)
- Department for Communities (Northern Ireland)

In addition any elected member of the Scheme Advisory Board (England and Wales) is able to attend LGPC meetings as an observer. Meeting minutes are published on the LGPC secretariat's [website](#) for LGPS administering authorities and employers.

The LGPC represents local authority interests in dealing with government and others on local government pension issues. It also provides an advice and information network for LGPS administering authorities. The LGA provides the secretariat service for the LGPC. The service includes:

- a library of [technical guides](#) on the LGPS and related compensation matters
- a library of [guides and leaflets](#) for employees and councillors of the LGPS for administering authorities and employers to download and personalise for their own use
- a [monthly bulletin](#) highlighting issues affecting the LGPS
- an online library of LGPS [statutory guidance](#) and other related legislation
- the upkeep of [timeline regulations](#) for the LGPS
- a national [website](#) for members of the LGPS in England and Wales
- attendance at regional pensioner officer group meetings to provide technical support
- representing the interests of LGPS administering authorities at a national level with government and other bodies, such as national employer groups, the Pensions Regulator and the Pensions Ombudsman.

The LGPC secretariat also provides a programme of pensions training for LGPS pension practitioners, LGPS employers, pension committee and local pension board members.

Local pension boards

The LGPS Regulations and the Public Service Pensions Act 2013 require that each 'scheme manager' establishes a local pension board. This requirement has been in place since 1 April 2015. For England, Wales and Scotland this means that each administering authority must establish a separate local pension board.

The local pension board has responsibility for assisting the scheme manager in the effective and efficient governance and administration of the Scheme, as well as ensuring compliance with:

- the Scheme regulations

- any other legislation relating to the governance and administration of the Scheme and any connected scheme
- any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme.

A local pension board must be made of up of equal numbers of employer and member representatives (with a minimum of four representatives) and may also include other members. Where an independent chair is appointed he/she will be classed as an 'other' member.

The method of appointing representatives and other members to a local pension board is determined by each administering authority. Information about how a particular administering authority's appointment process works can be obtained by contacting the relevant administering authority directly or by accessing their website.

Scheme Advisory Board (SAB)

Each LGPS scheme is required by law to establish a SAB – the role of which is to advise the authority responsible for making the regulations of the desirability of changes to the Scheme. SABs can also provide advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme.

England and Wales

The chair and vice-chair of the SAB are appointed by the Secretary of State.

The Board is made up of six employer and six member representatives. Members are nominated for membership by the appropriate representative body.

The chair is also able to appoint three non-voting advisory members to the Board. The appointments are made following nominations from one or more of the organisations representing scheme stakeholders, the wider pensions industry or LGPS administering authorities.

The SAB has two sub-committees:

- Cost management, benefit design and administration committee
- Investment, governance and engagement committee

The membership profile and terms of reference for each sub-committee is available to view on the [Board website](#).

Scotland

Joint chairs are nominated respectively by local government scheme employers and the relevant trade unions from the SAB membership and formally appointed by Scottish Ministers.

The Board is made up of seven employer and seven member representatives. Members are nominated for membership by the appropriate representative body.

Northern Ireland

The Advisory Board is chaired by a senior departmental official at Grade 5 level.

The Board is made up of four employer and four member representatives. Members are nominated for membership by the appropriate representative body.

More information about each of the Boards including the terms of reference is available at:

England and Wales: <http://www.lgpsboard.org/>

Scotland: <http://lgpsab.scot/>

Northern Ireland: <https://www.nilgosc.org.uk/>

The responsible authority

The responsible authority is responsible for making the regulations that govern the scheme rules. For the LGPS schemes they are:

England and Wales: the Secretary of State for Housing, Communities and Local Government (MHCLG)

Scotland: the Scottish Ministers³

Northern Ireland: the Department for Communities

³ SPPA provides policy advice to Scottish Ministers on public sector pension issues and is responsible for developing the regulations for Scotland's LGPS – and for determining any appeals made by its members

This page is intentionally left blank

Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 186 – June 2019

Foreword

This bulletin contains a number of important updates for LGPS administering authorities, scheme employers and software providers; whilst also providing a general update for all stakeholders.

Of particular importance are the articles on:

- [McCloud judgment – leave to appeal denied](#)
- [Ill health certificates updates](#)
- [Updates to other guides](#)
- [NI Database updates](#)

the last three of which require the attention of certain stakeholders.

If you have any comments on the contents of this bulletin or wish to suggest items that might be included in future bulletins, please contact query.lgps@local.gov.uk.

Contents

LGPS England & Wales

- [MHCLG secondment opportunity](#)
- [Actuarial guidance review update](#)
- [Ill health certificates updated](#)
- [Supplementary pensions increase guide issued](#)
- [Updates to other guides](#)

LGPS Scotland

- [Actuarial factor spreadsheet updated](#)
- [SPPA launch new website](#)
- [The LGPS \(Miscellaneous Amendments\) \(Scotland\) Regulations 2019](#)

HMT

- [Exit payments cap consultation](#)

HMRC

- [Pension schemes newsletters 110 and 111](#)
- [Lifetime allowance case – appeal dropped](#)

DWP

- [Pensions dashboards update](#)
- [DWP contact information](#)

TPO

- [TPO newsletter](#)

Other news and updates

[McCloud judgment – leave to appeal denied](#)

[NI Database update](#)

[LGPS National Frameworks newsletter](#)

[GAD newsletter](#)

[Technical Group minutes published](#)

[PASA publish cyber security guidance for pension schemes](#)

[PSIG launch updated code on combating pension scams](#)

[High Court judge places Hadlow College into administration](#)

Training

[Circular 314 issued – annual governance conference and Fundamentals](#)

Wider landscape

[State pension forecast errors](#)

[Government to consult on 50:50 option for NHS pension scheme](#)

[Women's State Pension age case goes to High Court](#)

[House of Lords Committee publish a report calling for triple lock to be scrapped](#)

Legislation

Useful links

LGPS pensions section contact details

LGPS England & Wales

MHCLG secondment opportunity

A one year, full time secondment opportunity has become available in the MHCLG local government pensions team for a Grade 7 policy advisor. More information including how to apply can be found in [appendix 1](#).

Actuarial guidance review update

On 18 June 2019 Rachel Abbey notified administering authorities that MHCLG have issued a revised version of the actuarial factor spreadsheet – the updated version now includes factors for:

- annual allowance scheme pays
- inverse commutation
- conversion of AVCs to transfer credits
- conversion of accumulated AVCs for added pension (pre 2014)
- conversion of accumulated AVCs for added pension (post 2014).

The factors take effect from **21 June 2019**. The [transitional table](#) has been updated to include guidance covering the implementation of these new factors.

The factor spreadsheet can be viewed on the [actuarial guidance page](#) of www.lgpsregs.org.

MHCLG issued a [covering letter](#) with the new factors that confirms they have authorised the use of earlier factors in a case where:

- a member has already been provided with a formal retirement quotation
- that quotation includes an estimate of the added pension they would receive if they used their AVC to buy additional pension in the LGPS, and
- it would be beneficial to the member if the old factors were used.

Other points to note:

Annual allowance scheme pays

There has been a change in methodology and [new actuarial guidance](#) has been issued to reflect this change. There has also been a change from earlier versions of the guidance in that only a single factor table is included in the current version ie scheme pays factors for calculating the pension offset for a member who is not retiring immediately and who is under their Normal Pension Age (NPA).

As set out in the guidance, administrators are referred to other factors for calculations which do not fall into this category:

- if the member is not retiring immediately, but has attained their NPA, then the factors for calculating a Lifetime Allowance debit should be used (non-ill health factors). These can be found in tab x-609 of the factor spreadsheet.
- when a member retires before their NPA, and had previously made a scheme pays election relating to an Annual allowance tax charge that arose in an earlier year, the reduction in the pension offset is the same as the reduction that would apply to a pension debit. You should note that there are four sets

of factors depending on whether the scheme pays election was made before or after 1 April 2014, and whether or not the member is retiring on ill health grounds. The relevant factors are shown in tabs x-314, x-315, x-316 and x-317 of the factor spreadsheet.

- if a member retires after their NPA, the pension offset is increased in line with the standard late retirement increase factor. Please note the calculation set out in section 2.23.2 of the guidance which is to apply when a member retires having made an earlier Scheme pays election after they attained their NPA.
- if a member makes a Scheme pays election when their retirement benefits are already being processed then the same factors apply as would be used to calculate a Lifetime Allowance debit. These factors are shown in tabs x-609 and x-610 of the factor spreadsheet and different factors apply depending on whether or not the member is retiring in ill health grounds.

Please note: the guidance incorrectly refers to the pension input period (PIP) running from 1 April to 31 March, and states that the relevant date would be 31 March. As you will be aware, since 2016 the PIP has been aligned with the tax year and ends on 5 April, meaning that the relevant date will be 5 April. We have raised this with GAD and await a response.

Conversion of accumulated AVCs for added pension

Separate factors have been supplied for pre and post 2014 AVCs. The post 2014 AVC factors are to be used for post 2014 AVCs and 'protected post 2014 AVCs' (see the [AVC technical guide](#) for information on the different categories of AVCs). It is our expectation that only the factors for post 2014 AVCs will be used because:

- a member who left before 1 April 2014 only has the right to use their AVC to purchase added pension if they took immediate payment of benefits on leaving active membership. We would expect that retirements that occurred before 1 April 2014 have now been processed.
- Post 2014 factors should be used in respect of a member who takes payment of their benefits from deferred or active status, providing their active membership ended after 31 March 2014 and their BCE date is after 13 May 2018 – irrespective of whether the AVC contract commenced before or after 1 April 2014. See page 40 of [bulletin 171](#) for more information.
- councillor members do not have the option to convert their AVC to added scheme pension.

Late retirement guidance

As reported in [bulletin 183](#), MHCLG recently undertook a consultation on proposed changes to the late retirement guidance; the consultation closed on 17 April 2019.

MHCLG have confirmed that a number of the responses to the consultation raised concerns about the complexity of the methodology and the proposed implementation date (which has now passed). We understand that GAD are currently working on revised guidance that will include a simplified methodology and that MHCLG are working towards an implementation date of 1 September 2019.

Outstanding factors

Additional Survivor Benefit Contributions (ASBCs) – MHCLG have confirmed these should be released in the next few weeks.

Non-club final salary transfer credit (A-to-B-to-C) transfers – these are expected later in the year; currently factors are issued by GAD via MHCLG on a case by case basis.

Ill health certificates updated

On 12 June 2019 Jayne Wiberg informed administering authorities that a revised version 2.0 of the ill health certificates have been published. The certificates are updated to include:

- the updates made by the LGPS (Amendment) Regulations 2018 [SI 2018/493],
- changes to the State Pension age, and
- a number of other minor corrections.

Since that date further changes to the document have been made – these are:

- the re-instatement of the certificate titled ‘3rd tier ill health retirement review certificate for a suspended 3rd tier pensioner where the cessation of employment occurred before 1 April 2014 – review taking place within 3 years of date of cessation of the 3rd tier pension (and before normal retirement age)’ as this remains valid until 31 March 2020, and
- an adjustment to the wording in paragraph one of the explanatory notes of the 2014 Tier 3 Ill Health certificates to remove reference to a ‘deferred benefit’.

The subsequent changes are highlighted in yellow (and track changes) on the track changed version and are included in clean version 2.0. The certificates can be found in the ‘[guides and sample documents](#)’ page of www.lgpsregs.org.

Action for administering authorities

Inform employers and occupational health contacts that the ill health certificates have been updated.

Supplementary Pensions Increase guide issued

On 27 June 2019, Jayne Wiberg informed administering authorities of the publication of a new technical guide called ‘Scheme administrator guide - When and how to apply supplementary pensions increase to a lump sum’.

The purpose of the guide is to set out the LGPC Secretariat’s understanding of how supplementary pension increases are applied to LGPS lump sums. It is available under the ‘[guides and sample documents](#)’ page of www.lgpsregs.org.

Updates to other guides

The guides below have been updated and are available to view under the [Guides and sample documents](#) page of www.lgpsregs.org.

20/06/2016	Employees	Full guide	Version 5.1
21/06/2019	HR and Payroll	Payroll guide	Version 4.0

Action for administering authorities

- inform employers/payroll providers that an updated version of the payroll guide is available.
- update local versions of the employee full guide.

LGPS Scotland

Actuarial factor spreadsheet updated

On 3 June 2019, Roddy McLeod confirmed that the [actuarial guidance spreadsheet](#) has been updated to correct the implementation date of the factors for pension debits and credits; it was previously recorded as 29 October 2018 but has now been corrected to 26 March 2019.

SPPA launch new website

On 11 June 2019 SPPA launched their new [website](#). Since the launch they have received feedback about a lack of online services for police and fire members and issues with calculators not working. In response to the feedback, they have confirmed that they are:

- currently testing new online services for police and fire members and will be launching a pilot service for those members very soon.
- aware that downloading Excel calculators doesn't always work for everyone and that their new online services will feature calculators that don't need to be downloaded and will work on any device.

The LGPS (Miscellaneous Amendments) (Scotland) Amendment Regulations 2019

The above regulations were laid on 11 June 2019 and come into force on 28 June 2019, with backdated effect to 1 June 2018.

These Regulations amend the [LGPS \(Miscellaneous Amendments\) \(Scotland\) Regulations 2019](#) [SSI2019/161] to amend two minor errors.

We are in the process of amending the www.scotlgpsregs.org timeline regulations in respect of both statutory instruments.

HMT

Exit payments cap consultation

On 18 June 2019 Lorraine Bennett informed administering authorities that the LGA has submitted its response to the [consultation](#) on restricting exit payments in the public sector, ahead of the **deadline of 3 July 2019**.

The response is available to view under the non-scheme consultations page of www.lgpsregs.org and www.scotlgpsregs.org. It considers the draft regulations, guidance and Directions in two sections:

Section 1: looks at concerns about the implementation of the policy including potential legal issues, excessive bureaucracy, increased costs, the range of individuals who may be affected by the cap and the possible frustration of effective negotiations related to workforce reform and other sensitive exits.

Section 2: considers the technical issues that need to be addressed before the policy could be implemented, with a particular focus on the LGPS.

Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities. We encourage administering authorities to respond to the consultation and share information about the consultation with their Scheme employers to ensure that they have an opportunity to respond.

HMRC

Pension schemes newsletter 110 and 111

HMRC have issued [pension schemes newsletters](#) 110 (May) and 111 (June). The newsletters include articles on:

- Managing Pension Schemes service – user research
- Guaranteed Minimum Pension (GMP) equalisation - HMRC working group
- telling HMRC about pension tax charges on the SA100 tax return.

Lifetime allowance case – appeal dropped

As reported by the [FT adviser](#), HMRC has dropped its appeal in a legal battle over a lifetime allowance tax charge. HMRC revoked the individual's fixed protection as he failed to stop standing orders to his pension schemes. The first tier tribunal found in the individual's favour due to the accidental nature of the breach. HMRC has dropped its plan to appeal the decision.

DWP

Pensions dashboards update

The Money and Pensions Advice Service (MAPS) will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The delivery group will be accountable to the MAPS board, and MAPS are in turn accountable to the Department for Work and Pensions (DWP).

On 3 June 2019, the Pensions Policy Institute (PPI) announced that its Director, Chris Curry, is to take on the role as Principal of the pensions dashboard industry delivery group with MAPS, starting on 8 July 2019. He will split his role, working three days at the PPI and two days for MAPS.

DWP contact information

DWP have dropped 'gsi' from all of their email addresses. Whilst emails containing the 'gsi' are currently being accepted, they will soon cease to exist. If you hold any email addresses for DWP that include 'gsi' these should be amended now.

TPO

TPO newsletter

The Pensions Ombudsman (TPO) have published the sixth edition of their stakeholder newsletter which is attached to this bulletin as [Appendix 2](#).

Other news and updates

McCloud judgment – leave to appeal denied

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the [McCloud and Sargeant case](#).

The case concerns the transitional protections provided to older members of the judges and firefighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

The Supreme Court ruling of 27 June 2019 means that the Court of Appeal's decision will be upheld and the case will be returned to an employment tribunal for a detailed decision.

The [cost management page](#) of the English and Welsh SAB [website](#) contains background information on the case, including a [Q&A](#) which has been updated to take into account the Supreme Court ruling. Further news will follow once we can confirm the next steps in the process.

NI Database update

In September 2018, all administering authorities were asked for their agreement to extend the uses of the NI Database so that it can be used for purposes other than death grants - all but two administering authorities agreed. The following changes have now been made:

- Scottish administering authorities are prevented from seeing English and Welsh data (and vice versa).

- each administering authority is required to set up individual user accounts for each staff member who has access to the Database. Each administering authority is provided with:
 - one master user - who will have full functionality including being able to set up users and change passwords
 - two super users who will be able to upload data and view the database
 - up to **fifteen** (increased from five) admin users who will have view-only access
- each master user has been issued with a new PIN (where we have been informed who your master user is). These are being issued to maintain the security of the site as the old PINs have been shared widely across users; going forward only the master user should know the PIN.
- new password requirements.
- administering authorities will only be able to view the Database if they have uploaded data in the last **60 days** (reduced from 90 days).
- weekly reminders will be sent to administering authorities who have not uploaded data for 35 days or more.

Action for administering authorities

- Setting up individual user accounts is necessary to comply with data protection legislation. Please ensure you set up these accounts as soon as possible – if you do not set up additional user accounts by **31 July**, we will be obliged to restrict your access to the Database.
- If you have not already done so, please email Lorraine Bennett the name of the master user at your administering authority so that your new fund PIN can be issued. For any administering authorities who are not yet signed up to the Database your PIN will be notified to you once you return a signed copy of the Data Sharing Agreement (DSA).

The **Data Sharing Agreement (DSA)** and annexes have been updated to:

- ensure compliance with GDPR
- expand the uses of the Database as detailed [bulletin 176](#)
- incorporate the updates made to the Database itself.

On 21 June, Lorraine Bennett emailed all administering authorities with the updated agreement and annexes. Please ensure you review these documents and raise any queries as soon as possible. It will not be possible to continue using the Database on the basis of the current Information Sharing Agreement. Please ensure you return your signed DSA to [Lorraine Bennett](#) by **31 July**.

Action for administering authorities

Review and sign the updated DSA in order to continue using the Database, or for those administering authorities who did not sign the original agreement, to start using the Database.

LGPS National Frameworks newsletter

The National Frameworks team issued a June news bulletin which is attached to this bulletin as [appendix 3](#).

The bulletin is a more condensed version of a soon to be issued full newsletter which will be packed with useful information about who the National Frameworks team are, what's coming up next and handy 'hints and tips' for further competitions and direct awards.

GAD newsletter

The Government Actuary's Department has issued the [June edition](#) of its Public Service Pension Schemes (PSPS) newsletter. This is intended to be an informal note to provide regular updates on what is happening within the PSPS area of GAD and to highlight some current hot topics.

Technical Group minutes published

The [minutes](#) of the meeting held on 14 June 2019 are now available on www.lgpsregs.org. Items of importance include:

- agreements regarding the NI Database
- a recommendation to SAB regarding the inability to pay future CEPs
- approval of the Supplementary PI guide
- LGPS knowledge system – next steps.

PASA publish cyber security guidance for pension schemes

On 6 June 2019 PASA announced the publication of its [cyber security guidance](#) for pension schemes. The guidance provides practical support for trustees in formulating a robust and effective review of how they safeguard their scheme from cyber security issues. It covers five main sections - Risk Assessment, Governance, Risk Management, Controls and Incident Management.

PSIG launch updated code on combating pension scams

On the 10 June 2019 the Pension Scams Industry Group (PSIG) published [version 2.1 of Combating Pension Scams – A Code of Good Practice](#). The updated code reflects recent regulatory and legislative changes, as well as the evolving nature of pension scams.

A summary of the key changes to the Code is provided on page 6 of the document, these include:

- the cold calling ban
- TPR & FCA ScamSmart campaign and TPR Threat Assessment update
- Money and Pensions Service (MAPS) reference
- the rise of claims management firms
- TPO determinations update and implications
- revised Action Fraud reporting guidance
- additional case studies
- learnings from PSIG's Scams Survey Pilot 2018.

High Court judge places Hadlow College into administration

On 22 May 2019 a High Court judge placed [Hadlow College](#) in Kent into education administration, making it the first college to go through the college insolvency regime created by the Technical and Further Education Act 2017.

Training

Circular 314 issued – annual governance conference

Circular 314 confirms that our Governance Conference taking place on 22 – 23 January 2020 is now [open for booking](#). The theme for the conference is ‘Public service pension reform – life after Hutton’.

For more information including the conference programme and confirmed speakers see [circular 314](#) and the [conference flyer](#).

Update on Fundamentals training

Circular 314 also advertises the Fundamentals training events aimed at pensions committee and local pension board members as well as officers who deal with governance.

These are ideal for new committee or board members to get a grounding in their roles as well as keeping knowledge up to date for more experienced members.

Early booking is recommended to secure places at your favoured location and this can be done using the links below:

Day 1	London	LGA offices, Westminster	3 October 2019
	Leeds	Marriott Hotel	17 October 2019
	Cardiff	Marriott Hotel	31 October 2019
Day 2	London	LGA offices, Westminster	6 November 2019
	Leeds	Marriott Hotel	14 November 2019
	Cardiff	Marriott Hotel	21 November 2019
Day 3	Leeds	Marriott Hotel	5 December 2019
	Cardiff	Marriott Hotel	12 December 2019
	London	LGA offices, Westminster	18 December 2019

Wider landscape

State pension forecast errors

The Minister for Pensions and Financial Inclusion Guy Opperman has admitted incorrect state pension forecasts have been issued for about 360,000 people since 2016. Royal London Director of Policy Sir Steve Webb has been working with ‘[This is Money](#)’ to identify the issue after individuals had reported receiving inconsistent forecasts, in some cases the discrepancy was more than £1,500 per year.

In response to a letter flagging the issue, sent by Sir Steve Webb, Mr Opperman pointed out that members who have transferred between defined benefit schemes may find there is a difference between their online forecast and any paper forecast they receive.

Government to consult on 50:50 option for NHS pension scheme

The Government has launched proposals to make pensions more flexible for senior clinicians delivering frontline care. In an [Interim NHS People Plan](#), the Government states that it is listening to the concerns around current pensions taxation and will publish a consultation at the end of June. One of the solutions is the 50:50 option.

Women's State Pension age case goes to High Court

On 5 June 2019, the BBC [reported](#) that campaigners have taken the Government to the High Court for a judicial review into how ministers raised the state retirement age for women.

House of Lords Committee publish a report calling for triple lock to be scrapped

The House of Lords Committee on Intergenerational Fairness and Provision has published a [report](#) detailing a range of recommendations across different policy areas aimed at tackling the challenge of “retaining the supportive relationship between generations”.

In its report, the Committee said that maintaining the triple lock indefinitely would be “unsustainable”. As a result the Committee's recommendations in relation to taxation and spending include removing the triple lock for state pensions and uprating the state pension in line with average earnings instead.

Legislation

United Kingdom

SI	Reference Title
2019/982	The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019
SSI	Reference Title
2019/204	The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Amendment Regulations 2019

Useful links

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346

Email: jeff.houston@local.gov.uk

Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)

Telephone: 0207 187 7374

Email: lorraine.bennett@local.gov.uk

Jayne Wiberg (Pensions Adviser – LGPC Secretariat)

Telephone: 07979 715825

Email: jayne.wiberg@local.gov.uk

Rachel Abbey (Pensions Adviser – LGPC Secretariat)

Telephone: 020 7664 3172

Email: rachel.abbey@local.gov.uk

Alan South (Pensions Adviser – LGPC Secretariat)

Telephone: 07867 189992

Email: alan.south@local.gov.uk

Karl White (Pensions Adviser (Training) – LGPC Secretariat)

Telephone: 07464 652886

Email: karl.white@local.gov.uk

Bob Holloway (Pensions Secretary – LGPS Scheme Advisory Board (E&W))

Telephone: 07919 562847

Email: robert.holloway@local.gov.uk

Liam Robson (Pensions Analyst – LGPS Scheme Advisory Board (E&W))

Telephone: 0207 664 3328

Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 0207 187 7344

Email: elaine.english@local.gov.uk

Distribution sheet

Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Local Government Pensions Committee
Trade unions
CLG
COSLA
SPPA
Regional Directors
Private clients
The Pensions Regulator
The Pensions Ombudsman

Copyright

Copyright remains with Local Government Association (LGA). This bulletin may be reproduced without the prior permission of LGA provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this bulletin has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this bulletin.

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

Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 187 – July 2019

Foreword

This bulletin contains a number of important updates for LGPS administering authorities, scheme employers and software providers, whilst also providing a general update for all stakeholders.

Of particular importance are the articles on:

- [Actions needed following updates to the National Insurance Database](#)
- [Employer and administering authority retention schedules published](#)
- [Check and update Your LGPS Contacts system](#)
- [Countdown Bulletin 47 and Scheme Financial Reconciliation](#)

which require the attention of certain stakeholders.

If you have any comments on the contents of this bulletin or wish to suggest items that might be included in future bulletins, please contact query.lgps@local.gov.uk.

Contents

LGPS England & Wales

[SAB Update](#)

[SAB publishes Good Governance Report](#)

[TPR Scheme Return – Conditional data](#)

[Technical Group recommendations to the SAB](#)

[New Minister for Local Government appointed](#)

[SCAPE discount rate – impact on actuarial guidance – update](#)

[Survivor guide published](#)

[Consultation: Local valuation cycle and the management of employer risk](#)

[The Investment Consultancy and Fiduciary Management Market Investigation Order 2019](#)

[Employer policy on flexible retirement](#)

[MHCLG secondment opportunity](#)

[MHCLG consultation on pension fund merger](#)

LGPS Scotland

[Amendments to the LGPS \(Scotland\) Regulations](#)

[Actuarial factor review - update](#)

HMRC

[Countdown bulletins 46 and 47 published](#)

[Pensions Schemes Newsletter 112](#)

DWP

[Written Ministerial statement – Walker v Innospec Supreme Court Judgment](#)
[Consultation – Trustee oversight of investment consultants and fiduciary managers](#)

TPO

[TPO Annual Report and Accounts published](#)

TPR

[TPR to combine codes of practice](#)
[TPR Annual Report and Accounts published](#)
[Governance and administration survey findings published](#)
[TPR secondment opportunity](#)

Other news and updates

[McCloud to apply to all public service pension schemes](#)
[National Insurance database - update](#)
[Communications Working Group minutes published](#)
[LGPC draft minutes published](#)
[Woman wins right to late partner's military pension](#)
[Your LGPS contacts](#)
[GAD 2019 data request](#)
[PASA launches DB transfer guidance](#)
[Data retention templates](#)
[GAD newsletter](#)
[TPAS Annual Report and accounts published](#)
[Technical Queries](#)

Training

[Annual governance conference](#)
[Fundamentals training](#)

Wider landscape

[Transgender woman wins state pension back payments](#)
[Consultation on opposite sex civil partnerships](#)
[Consultation on flexibility in the NHS Pension Scheme launched](#)
[Police officers win case against Ombudsman decision](#)

Useful links

LGPS pensions section contact details

LGPS England & Wales

SAB Update

The Scheme Advisory Board (SAB) for England and Wales met on 8 July 2019. Topics covered at the meeting included:

- which TPR Codes of Practice are relevant to LGPS administering authorities?
- outstanding SAB levy invoices
- recent MHCLG and HMT consultations

- pension taxation and the impact of Lifetime and Annual Allowances on service delivery in the public sector
- the implications of the McCloud decision on signing off local authority accounts
- Local Pension Board Survey – due to be published in August 2019
- Good Governance project – Hymans Robertson presented a draft version of the final report. Stakeholders will have an opportunity to comment on the SAB's recommendations before any change in regulations is progressed.

You can read an [update from the meeting](#) on the SAB's website www.lgpsboard.org.

SAB publishes Good Governance Report

SAB published the [Good Governance Report](#) on 31 July 2019. The project team are working on a detailed plan to implement the report's recommendations which will be presented to the SAB when they meet in November 2019.

TPR Scheme Return – Conditional data

On 4 July 2019 Bob Holloway, secretary of the SAB, emailed pension managers and software suppliers with a draft conditional data report to be scored in the Pension Regulator's (tPR) annual scheme return. This was prepared in agreement with representatives from tPR, SAB, software suppliers, fund actuaries and pension practitioners. The group will continue to work on developing the table, adding guidance notes for administering authorities and software suppliers.

The SAB will provide an update when they have more information from tPR about when the scheme return will be issued.

National LGPS Technical Group recommendations to the SAB

As reported previously, the National LGPS Technical Group made recommendations to the SAB to:

- amend the forfeiture rules to include convictions which relate to an employment, and the conviction takes place after leaving that employment
- remove the requirement to pay a refund of contributions within five years and
- align the rules covering concurrent membership

The SAB have agreed to proceed with these changes and are in the process of making recommendations to MHCLG.

You can find a link to the spreadsheet containing updates on the recommendations the National LGPS Technical Group have made to the SAB on the [Technical Group minutes page](#) of www.lgpsregs.org.

New Minister for Local Government appointed

On 31 July 2019 it was announced that [Luke Hall MP](#) has been appointed Parliamentary Under Secretary of State, Minister for Local Government and Homelessness.

SCAPE discount rate – impact on actuarial guidance – update

On 1 July 2019 Lorraine Bennett contacted administering authorities to let them know that MHCLG has issued revised late retirement guidance. The new guidance and factors are effective from 1 September 2019. The new methodology removes the ‘cliff edge’ effect which reduced the value of LGPS benefits held by members who were over their Normal Pension Age (NPA) when the factors last changed in January 2017.

We expect a revised version of the guidance to be published in the coming weeks that includes two minor corrections:

- paragraph 2.3 – the requirement to calculate separate retirement increases for and pre and post 2014 benefits (in respect of a member with a SPa of over 65) applies irrespective of whether the member attained their NPA before or after 1 September 2019
- paragraph 2.16 – regulations 30(3) and (11) of the 2013 regulations require that the pension must come into payment from the member’s 75th birthday, not the day before.

You can find the new guidance, updated factor spreadsheet that includes the new factors and covering letter clearing the factors for use on the [actuarial guidance page](#) of www.lgpsregs.org.

Survivor guide published

Jayne Wiberg contacted administering authorities on 5 July 2019 to let them know that the LGPC have published a technical guide covering survivor benefits in the LGPS. The guide sets out the LGPC Secretariat’s understanding of the membership that is used to calculate survivor benefits. The guide reflects the changes in survivor benefits for civil partners and the spouses of same-sex marriages, brought about by the LGPS (Miscellaneous Amendment) Regulations 2018.

The guide can be found on the [guides and sample documents page](#) of www.lgpsregs.org.

MHCLG plans to introduce statutory guidance for administering authorities, in respect of past trivial commutation and transfer payments that are affected by the change in survivor benefits for civil partners and same sex spouses.

Consultation: Local valuation cycle and the management of employer risk

In [Bulletin 185](#) we informed administering authorities that MHCLG had launched a policy consultation on changes to the local valuation cycle and the management of employer risk.

The principles of the LGA response were agreed at the LGPC meeting held on 8 July 2019. Rachel Abbey contacted administering authorities on 25 July 2019 to share a draft version of the LGA response. The LGA has submitted their final response and this can be found on the [Scheme consultations page](#) of www.lgpsregs.org.

The Investment Consultancy and Fiduciary Management Market Investigation Order 2019

On 10 June 2019 the Competition and Market's Authority (CMA) published [The Investment and Fiduciary Management Market Investigation Order 2019](#). The Order defines fiduciary management services and potentially has implications for LGPS pools. The SAB is in discussion with MHCLG, the CMA and legal advisers to seek further clarity.

The SAB has produced a [briefing note](#) to raise awareness of the content of the Order.

DWP has launched a consultation proposing to integrate this Order into law. See the [article](#) in the DWP section of this bulletin for more information.

Employer policy on flexible retirement

The Communications Working Group discussed member options on flexible retirement at their meeting on 11 July 2019. The consensus of the group was that partial flexible retirement was rarely adopted by Scheme members, but that this may be due to a lack of awareness of the provision. Partial flexible retirement may be an attractive option for those members who have reached their critical retirement age for some of their benefits but have several years until they reach their State Pension age.

We would like to remind administering authorities that an employer's policy on flexible retirement should set out:

- whether they allow flexible retirement under regulation 30(6) of the 2013 regulations
- whether to waive any actuarial reduction that would apply if the member is flexibly retiring before their NPA, and
- **whether to permit the member to choose to draw all, part or none of the pension benefits they have built up after 1 April 2008** (benefits built up before 1 April 2008 must be taken on flexible retirement in accordance with regulation 11(3)(a) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014).

The List of discretions and the Discretions technical guide contain more information on employer discretions, both of which you can find on the [Guides and sample documents](#) page of www.lgpsregs.org. [Actuarial guidance](#) on flexible retirement provides more information on the operation of partial flexible retirement and the treatment of the residual pension when the member retires fully.

Action for administering authorities

- Review documentation relating to employer discretions and if necessary update to cover fully the discretions related to flexible retirement
- Communicate the changes to Scheme employers.

MHCLG secondment opportunity

A one-year, full time secondment opportunity has become available in the MHCLG local government pensions team for a Grade 7 policy advisor. The closing date for applications is **13 August 2019**. You can find more information including how to apply [here](#).

MHCLG consultation on pension fund merger

On 23 July 2019 MHCLG launched a consultation called [Proposed merger of West Midlands pension funds](#). The consultation seeks views on merging the West Midlands Integrated Transport Authority Pension Fund into the West Midlands Pension Fund, with Wolverhampton City Council as the administering authority for both funds. The six week consultation closes on **7 September 2019**.

You can find the consultation documents on the [Scheme consultations](#) page of www.lgpsregs.org.

LGPS Scotland

Amendments to the LGPS (Scotland) Regulations

As we reported in Bulletins [185](#) and [186](#), The LGPS (Miscellaneous Amendments) (Scotland) Regulations 2019 [SSI 2019/161] and The LGPS (Miscellaneous Amendments) (Scotland) Amendment Regulations 2019 [SSI 2019/204] came into force on 28 June 2019. The amendments make changes to the 2018 Scotland Regulations, 2014 Scotland Regulations and the 2014 Scotland Transitional Regulations, with some changes having a retrospective effect from 1 April 2015.

The [timeline regulations](#) have been updated to reflect these changes.

Actuarial factor review - update

Roddy MacLeod (SPPA) contacted Scottish administering authorities on 11 July 2019 with an update on the actuarial factors which have not yet been issued. The contents of the email are summarised in the table below.

Factors	Expected issue date of factors	Notes
Scheme pays annual allowance	Mid July	Revised guidance to be issued at the same time
Scheme pays lifetime allowance	Mid July	Guidance to follow later in the summer
Convert AVC to additional pension	Mid July	Guidance to follow later in the summer
Additional survivor's benefits	Later in the summer	No new contracts to be set up. New factors will apply to existing contracts with an effective date of 1 April 2020
Late retirement	Mid July	Revised guidance to be issued at the same time. Methodology change following the same principles that have already been announced in England and Wales

New actuarial guidance will be issued in batches to cover all factors included in the factor spreadsheet. GAD aim to issue all guidance to SPPA by the end of September 2019. If factors and methodology are both changing, then guidance and factors will be issued at the same time.

You can find the factor spreadsheet and guidance on the [Actuarial guidance](http://www.scotlqpsregs.org) page of www.scotlqpsregs.org.

HMRC

Countdown bulletins 46 and 47 published

Countdown bulletins [46](#) and [47](#) were published on 2 July 2019 and 30 July 2019 respectively. The bulletins include updates on Scheme Financial Reconciliation, Scheme Financial Allocations and problems accessing the Shared Workspace.

Important points to note:

- Scheme financial billing exercise will be re-run on 8 August 2019
- Letters will be sent to administrators who are in debt by post shortly after 15 August 2019
- A breakdown of the final bill will be provided in your Shared Workspace e-room
- Payment must be made by 27 September 2019 and [Countdown bulletin 47](#) includes the details you will need when making your payment
- Scheme Financial refund exercise will be re-run on 15 August 2019
- Letters showing the total amount to be refunded will be sent from 23 September 2019 to funds who have engaged
- Cheque payment will be issued to funds who have engaged by 28 October 2019 in respect of the refund amount.

Action for administering authorities

- Any administering authorities who have not engaged with the Scheme Financial Reconciliation Process must do so straight away. Contact details can be found in [countdown bulletin 45](#)

Pensions Schemes Newsletter 112

On 31 July 2019 HMRC published [Pension Schemes newsletter 112](#). The newsletter contains an article about the annual allowance:

- reminding administrators about the 6 October 2019 deadline for issuing pension saving statements for the 2018/19 year
- requesting that administrators tell members who exceed the annual allowance and do not have sufficient carry forward that they must declare the excess in their self-assessment tax return
- gov.uk member guides on annual allowance have been updated.

DWP

Written Ministerial statement – Walker v Innospec Supreme Court Judgment

On 4 July 2019, the Parliamentary Under Secretary of State, Department for Work and Pensions (Baroness Buscombe) issued [a response](#) to the Supreme Court judgment in Walker v Innospec and others.

The judgment was issued on 12 July 2017 with the Supreme Court deciding that Mr Walker's husband, on the death of Mr Walker, is entitled to the same benefits as the survivor of an opposite sex spouse. For public service pension schemes (PSPS), this means that civil partners and survivors of same sex marriages are entitled to receive benefits equal to those received by widows of male members. This change was introduced to the LGPS by the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 [[SI 2018/1366](#)].

The Government has concluded that aside from the changes brought about by the Supreme Court judgment, it will not make any further retrospective changes to the existing provisions in public service pension schemes to equalise survivor benefits. They have taken the view that any differences in survivor benefits will work their way out over time.

In the LGPS, in some cases, the widower of a female scheme member is entitled to a lower survivor pension than the widow of a male scheme member. This decision means that this position will not change.

Consultation – Trustee oversight of investment consultants and fiduciary managers

On 29 July 2019 DWP launched a [consultation](#) which seeks views on the draft Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019. The draft regulations enact the provisions of the CMA Order which is covered earlier in this bulletin. Chapter 2 of the consultation document covers scope and explicitly rules out coverage of the LGPS.

This short consultation will **close on 2 September 2019**.

TPO

TPO Annual Report and Accounts published

The Pensions Ombudsman (TPO) published its [Annual Report and Accounts](#) on 18 July 2019. The Report contains information about TPO's performance in the 2018/19 year and summaries of completed investigations.

A message from the Pensions Ombudsman, which includes a summary of the Report, is attached as [Appendix 1](#).

TPR

TPR to combine codes of practice

The Pensions Regulator (TPR) has [announced](#) changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single shorter code. The changes will reflect the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 [SI2018/1103]. Codes most affected by these regulations will be addressed first, and this includes [Code of Practice 14](#) (public sector schemes). Schemes will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published.

TPR Annual Report and Accounts published

TPR published its [Annual Report and Accounts](#) in July 2019. The Report includes details of the organisation's activities, finances and developments in the 2018/19 year and an assessment of their achievement of key aims set out in the corporate plan.

Governance and administration survey findings published

TPR have published their [2019 report](#) on the findings of the governance and administration survey of public sector pension schemes undertaken at the end of 2018. 195 of the 207 public service pension schemes completed the survey. This response rate of 94% covers 99% of total membership.

Main points to note:

- there have been improvements in Schemes' performance in four of the six key processes
- the report highlights the importance of receiving accurate and timely data, and identifies employer performance as a common reason for missing or inaccurate data
- the percentage of LGPS members who were sent an annual benefit statement before the statutory deadline was lower than the average across the sector
- the top three barriers to improvements in administration and governance were identified as complexity, lack of resources and legislative change. Within the LGPS, staff retention and lack of knowledge was cited as a top three risk by 28% of funds
- six LGPS funds reported that that they had fewer board members at the time they completed the survey than is required by regulation 107(2) of the LGPS Regulations 2013, but this was mainly due to vacant positions
- LGPS administration was more likely to be delivered in-house, and administering authorities review their administration providers less frequently than the average across the public sector.

TPR secondment opportunity

Please see details below from TPR concerning a secondment opportunity in the role of Specialist - Pension Administration:

“TPR has recently opened up an administration [secondment opportunity](#) in our Policy team.

The pensions landscape is undergoing a step change. The rise in the number of people saving into pension schemes and initiatives like the Pensions Dashboards, mean that good standards of administration are more important than ever to ensure that savers can have confidence in the pensions industry. We need to have a clear view of the risks in this sector, and a robust strategy for dealing with them, so that savers’ benefits are protected and confidence in pensions is maintained. The secondee will help to ensure we fully understand the functioning of the pensions administration sector and design an appropriate response to the risks.

A secondment to the specialist role in this team would suit the skill set of someone with at least five years’ experience in the pensions administration market, particularly with experience of client management or a role involving engagement with trustee boards, pension boards or scheme managers.

TPR runs a very successful industry secondment programme, which has been operating for over 10 years. We recruit people who bring essential and relevant commercial skills and the latest insight on pensions issues. You can see our [secondees testimonials](#) for some recent examples.

Key benefits to your organisation:

- An excellent opportunity for staff development
- An opportunity to work in the frontline of a fast-paced and exciting area of regulation
- An opportunity to create a network of lasting relationships
- An opportunity for your staff to apply their skills and knowledge in a related environment
- Expanded outlook and a better understanding of regulation

Terms and conditions are subject to negotiation and agreement between parties, but we will always aim to cover employment costs and reasonable expenses.

Ideally we’d look for this secondment to run for twelve months, from October. For more information or to discuss this opportunity further, please contact [Lucy Stone](#), or [Zoe Kyle](#), HR on 01273 627213. For general enquiries, please contact secondments@tpr.gov.uk.”

Other news and updates

McCloud to apply to all public service pension schemes

On 15 July 2019, the Chief Secretary to the Treasury announced in a written statement that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes. The full statement can be found on [the parliament website](#).

See the [Q&A](#) on the Scheme Advisory Board website for more information on the McCloud case.

The Government has updated their [report on the public service pension reforms](#) to incorporate the most recent developments in the McCloud case.

National Insurance database - update

As reported in recent bulletins, we have made changes to the database to comply with data protection legislation and to extend the use of the database beyond its original purpose of preventing the double payment of death grants. Lorraine Bennett contacted all administering authorities to let them know that they had until 31 July 2019 to:

- sign the new data sharing agreement
- inform the LGPC who is the 'master user' for each administering authority so that they can be issued with a new PIN
- set up individual accounts for super users (who can view the database and upload data) and admin users with view-only access

This deadline has passed and:

1. From 1 August 2019 administering authorities can use the database for purposes other than checking for duplicate death grants – including checking eligibility for transfer, refund and trivial commutation payments, establishing interfund options for re-joining members and tracing lost members.
2. Any administering authority which has not completed and returned the data sharing agreement has not agreed that the data of their members can be used for these additional purposes. Their data will be removed from the database and access will be restricted. Any administering authorities in this position who participate in 'Tell Us Once' should be aware that their data will not be shared with DWP, and no death notifications will be issued.
3. Master users must set up individual accounts for super users and up to fifteen admin users to comply with GDPR rules and the terms of the Data Sharing Agreement. **User names and passwords must not be shared by more than one user.** If you are a Master user at a larger fund and want to request more admin users, please contact [Rachel Abbey](#).

4. If an administering authority is signing up to the database for the first time then the Master user should select the 'Reset password' option and sign in using their fund number and new PIN. New users will not be issued with a password. The user guide will be updated shortly to reflect this process change.

Contact [Rachel Abbey](#) with any questions about the use of the database.

Action for administering authorities

- complete the Data Sharing Agreement and return it to [Rachel Abbey](#) if you have not done so already
- set up individual user accounts for super users and admin users as soon as possible

Communications Working Group minutes published

The Communications Working Group (CWG) met on 11 July 2019. Topics discussed include member website statistics, member videos, employer and administering authority retention policies, Annual Benefit statements, pre-retirement guide and membership of the group. You can read minutes of this and previous meetings on the [CWG Minutes page](#) of www.lgpsregs.org.

LGPC draft minutes published

The Local Government Pension Committee (LGPC) met on 8 July 2019. [Minutes](#) of the meeting can be found on the LGPC minutes pages of www.lgpsregs.org and www.scotlgpsregs.org.

Woman wins right to late partner's military pension

In a [landmark ruling](#), on 17 July 2019 the Court of Appeal awarded a survivor pension in the RAF pension scheme to Ms Langford following the death of her partner in 2011. Ms Langford had cohabited with the scheme member for 15 years, but was married to someone else at the time of her partner's death.

The decision could have far-reaching consequences for other cohabiting couples in the public sector where a surviving partner is married to a third party. We await the government's response to this decision.

Your LGPS contacts

We would like to remind all administering authorities that you are responsible for updating your own contacts using the 'Your LGPS contacts' system. We are receiving a high volume of undeliverable messages when we send out communications, particularly to finance and political contacts.

Action for administering authorities

- Review the details held in the 'Your LGPS contacts' system and make any updates needed
- Contact query.lgps@local.gov.uk if you have any questions about how to update 'Your LGPS contacts'.

GAD 2019 data request

GAD have confirmed that they will be requesting valuation data as at 31 March 2019 as part of the cost management process. They will send a formal request to all administering authorities later in the year.

PASA launches DB transfer guidance

On 8 July 2019 the Pensions Administration Standards Agency (PASA) launched [DB Transfer Guidance](#). The guidance seeks to create the right balance between member protection and the statutory right to transfer and has three key aims:

- improve member experience through faster, safer transfers
- improve efficiency for administrators
- improve communications and transparency in the processing of transfers.

Compliance with the guidance is voluntary, but it is anticipated that the Pensions Ombudsman will reference it when reviewing complaint cases as a source of what 'good practice' looks like.

The guidance includes templates for documents to use at different stages of the transfer process. Administering authorities should note that template transfer declaration forms including a form to confirm that independent advice has been sought, can be found in the [Guides and sample documents page](#) of www.lgpsregs.org.

Data retention templates

Lorraine Bennett contacted administering authorities on 19 and 25 July 2019 concerning newly published template data retention policies. The documents have been prepared for use by administering authorities and employers in England and Wales, Scottish funds are welcome to adapt the documents for their use.

The purpose of the template data retention policy for LGPS employers is to:

- help administering authorities respond to questions from scheme employers about how long they should keep payroll and HR data, and
- enable administering authorities to inform employers of their expectations concerning retention of personal data needed to administer the LGPS.

The template retention policy for LGPS funds is intended to enable administering authorities, in their capacity as data controllers of personal data, to satisfy their obligations under the General Data Protection Regulations.

Action for administering authorities

- Share the template data retention policy for employers with Scheme employers
- Review the template data retention policy for LGPS funds and tailor for your authority
- If an administering authority does adopt the retention policy, they may also need to review and update their privacy notice.

GAD newsletter

The Government Actuary's Department (GAD) has issued the July 2019 edition of its Public Service Pension Schemes (PSPS) [newsletter](#). This is an informal update on what is happening within the PSPS area of GAD and current hot topics.

TPAS Annual Report and accounts published

The Pensions Advisory service (TPAS) published its [annual report and accounts](#) on 11 July 2019.

Technical Queries

The LGPC team responded to 161 technical queries in the three months from April to June 2019. The following table provides a summary of the topics covered by those responses.

% of queries	Topic and additional information
15.5%	Retirement including trivial commutation options, lump sum commutation and requisite benefits
14.9%	Paying extra – including AVCs, APCs and ARCs. Some queries concerned the implementation of recently published factors for the purchase of APCs/ARCs or the use of an AVC fund to purchase additional scheme pension
12.4%	Transfers, interfunds and concurrent adjustments
7.5%	Issues which are high on the agenda due to recent consultations or ongoing projects, such as the operation of the proposed cap on exit costs in the public sector, possible changes in the calculation of exit credits, GMP reconciliation and equalisation
7.5%	Survivor benefits or supplementary pensions increase. The LGPC has published technical guides covering both of these topics in recent weeks which should assist administering authorities with future queries. The technical guides can be found on the Guides and sample documents page of www.lgpsregs.org .
7.5%	Outsourcing, TUPE arrangements, admission agreements and academies
6.8%	Refunds and CEP payments
5.0%	Calculation of Assumed pensionable pay (APP) or death grants
4.3%	Pension sharing, pension credits and options for pension credit members
4.3%	Annual allowance calculations, Lifetime Allowance tax charges and the tax that is payable when an unauthorised payment is made
3.7%	Access to the LGPS for Coroners and Returning officers. Please see Bulletin 163 (October 2017) for more information about Coroners' eligibility to join the LGPS.

The remaining 10.6% of the responses covered topics that were only raised once or twice in the quarter.

Training

Annual governance conference

Our annual Governance Conference is taking place in York on 23 to 24 January 2020 and is [open for booking](#). The theme for the conference is 'Public service pension reform – life after Hutton'.

For more information including the conference programme and confirmed speakers see [circular 314](#) and the [conference flyer](#).

Fundamentals training

Our Fundamentals training events are aimed at pensions committee and local pension board members as well as officers who deal with governance.

This training is ideal for new committee or board members, as well as giving experienced members an opportunity to keep their knowledge up to date.

Early booking is recommended to secure places at your favoured location. You can make a booking using the links below:

Day 1	London	LGA offices, Westminster	3 October 2019
	Leeds	Marriott Hotel	17 October 2019
	Cardiff	Marriott Hotel	31 October 2019

Day 2	London	LGA offices, Westminster	6 November 2019
	Leeds	Marriott Hotel	14 November 2019
	Cardiff	Marriott Hotel	21 November 2019

Day 3	Leeds	Marriott Hotel	5 December 2019
	Cardiff	Marriott Hotel	12 December 2019
	London	LGA offices, Westminster	18 December 2019

Wider landscape

Transgender woman wins state pension back payments

A transgender woman has settled a case against the Department for Communities in Northern Ireland, to backdate her state pension payments. Her state pension was paid from the date she received her Gender Recognition Certificate, which was later than her state pension age. The case arose because in Northern Ireland a Gender Recognition Certificate cannot be obtained by a person who is still married. This is not the case in the rest of the UK.

Consultation on opposite sex civil partnerships

On 10 July 2019 the Government Equalities Office launched [a consultation](#) on plans to introduce opposite sex civil partners and the option to convert a marriage to a civil partnership and vice versa. Section 73 of the consultation document includes the Government's proposals concerning occupational pensions and opposite-sex civil partners. They intend to match opposite-sex civil partner survivor pensions to those of opposite-sex married couples. The lower survivor pension payable to some male spouses of female members will be replicated in the survivor pensions payable to male civil partners of female members.

The six week consultation **closes on 20 August 2019**.

Consultation on flexibility in the NHS Pension Scheme launched

The Department of Health and Social Care have launched a [consultation](#) on proposals to increase flexibility for senior clinicians in the NHS Pension Scheme (NHSPS). The consultation seeks to address the impact of pension taxation on the delivery of NHS services. The main proposals to change the pension growth of clinicians' pensions are to:

- introduce to the NHSPS an option similar to the 50:50 option available in the LGPS,
- introduce greater flexibility by allowing accrual rates other than 50% or 100% of the standard accrual
- permit the use of saved employer and employee pension contributions to be used to purchase additional pension.

Police officers win case against Ombudsman decision

Some police officers retain the right to retire before age 55, but rules covering re-employment must be followed if the pension and lump sum payments are to be considered authorised. Protected pension ages and re-employment are covered in Part 3 of Schedule 36 to the Finance Act 2004.

The complainants in this case were re-employed by the police authority as civilian staff shortly after their retirement. As a result, they were required to pay additional tax on their lump sums and pension payments. This position was upheld by an Ombudsman determination.

On appeal, the High Court found in favour of the former police officers, noting that the officers were not warned about the re-employment rules and the potential tax liability.

Administering authorities may wish to make sure that their local police authority is aware of the rules around re-employment and protected pension ages.

For more detail about this case see the article in the [FT adviser](#).

Useful links

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346

Email: jeff.houston@local.gov.uk

Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)

Telephone: 0207 187 7374

Email: lorraine.bennett@local.gov.uk

Jayne Wiberg (Pensions Adviser – LGPC Secretariat)

Telephone: 07979 715825

Email: jayne.wiberg@local.gov.uk

Rachel Abbey (Pensions Adviser – LGPC Secretariat)

Telephone: 020 7664 3172

Email: rachel.abbey@local.gov.uk

Alan South (Pensions Adviser – LGPC Secretariat)

Telephone: 07867 189992

Email: alan.south@local.gov.uk

Karl White (Pensions Adviser (Training) – LGPC Secretariat)

Telephone: 07464 652886

Email: karl.white@local.gov.uk

Bob Holloway (Pensions Secretary – LGPS Scheme Advisory Board (E&W))

Telephone: 07919 562847

Email: robert.holloway@local.gov.uk

Liam Robson (Pensions Analyst – LGPS Scheme Advisory Board (E&W))

Telephone: 0207 664 3328

Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 0207 187 7344

Email: elaine.english@local.gov.uk

Distribution sheet

Pension managers (internal) of administering authorities

Pension managers (outsourced) and administering authority client managers

Local Government Pensions Committee

Trade unions

CLG

COSLA

SPPA

Regional Directors

Private clients

The Pensions Regulator

The Pensions Ombudsman

Copyright

Copyright remains with Local Government Association (LGA). This bulletin may be reproduced without the prior permission of LGA provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this bulletin has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this bulletin.

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

Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 188 – August 2019

Foreword

This bulletin contains a number of important updates for LGPS administering authorities, scheme employers and software providers, whilst also providing a general update for all stakeholders.

Of particular importance are the articles on:

- [Equitable Life - update \(urgent\)](#)
- [TPR 2019 public service pension scheme return](#)

which require the attention of certain stakeholders.

If you have any comments on the contents of this bulletin or wish to suggest items that might be included in future bulletins, please contact query.lgps@local.gov.uk.

Contents

LGPS England & Wales

- [Consultation: Local valuation cycle and the management of employer risk – update](#)
- [Good governance project - update](#)
- [SCAPE discount rate – impact on actuarial guidance – ASBCs](#)

HMT

- [Consultation: Exit payments cap – update](#)

DWP

- [Government updates no-deal Brexit pensions guidance](#)

TPO

- [Consultation on changes to TPO – Government response published](#)
- [Tailored review of TPO – outcome published](#)

TPR

- [2019 public service pension scheme return](#)
- [Draft guides to deliver CMA's recommendation to support trustees with guidance](#)

Other news and updates

- [Equitable Life – update](#)
- [Bulk transfers back into a public service pension scheme under 'Fair Deal'](#)
- [LGPS community document](#)

Training

- [Annual governance conference](#)
- [Fundamentals training](#)

Wider landscape

- [Consultation on flexibility in the NHS Pension Scheme to be replaced](#)
- [Army pensions watchdog calls for NHS pension tax reform to be extended to army doctors](#)

Useful links

LGPS pensions section contact details

LGPS England & Wales

Consultation: Local valuation cycle and the management of employer risk - update

In [bulletins 185 and 187](#) we confirmed that MHCLG had launched a policy consultation on changes to the local valuation cycle and the management of employer risk. The consultation closed on 31 July 2019.

MHCLG received around 280 responses and expect to publish their response in the autumn of 2019.

Good governance project - update

In [bulletin 187](#) we confirmed that the Scheme Advisory Board (SAB) had published their [Good Governance Report](#) on 31 July 2019.

Hymans Robertson project team will assist SAB in taking forward the next stage of the project. Two working groups will be established to:

- define what is meant by good governance outcomes and provide the accompanying guidance, and
- focus on options for the independent assessment of outcomes and the mechanisms to improve the delivery of those outcomes.

Both groups will comprise of a variety of stakeholders to ensure a wide range of views and options are considered. The aim is for an options report to be ready for consideration by SAB in November 2019. Any proposals agreed by SAB will be subject to a full stakeholder consultation before being put to MHCLG. Details of both working groups will be published on the [SAB website](#) in due course.

SCAPE discount rate – impact on actuarial guidance – ASBCs

On 14 August 2019 Rachel Abbey confirmed that MHCLG has issued new factors for the purchase of Additional Survivor Benefits.

Before 1 April 2014, members could elect to pay additional survivor benefit contributions (ASBCs) for their membership before 6 April 1988 to count towards cohabiting partners' pensions.

The new factors should be used from 1 April 2020 for existing contracts. They should reflect the member's age and payment period when the contract started. The cost of purchasing additional survivor benefits is based on a percentage of whole time equivalent pensionable pay (2008 Scheme definition of pensionable pay).

The [actuarial guidance](#) page of www.lgpsregs.org has been updated with the new factor spreadsheet and the covering letter issued by MHCLG clearing the factors for use.

HMT

Consultation: Exit payments cap – update

In [bulletin 184](#) we confirmed that HM Treasury (HMT) had launched a consultation called '[Restricting exit payments in the public sector: consultation on implementation of the regulations](#)'. The consultation closed on 3 July 2019.

HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. We understand that HMT are to introduce the cap no sooner than 1 April 2020.

DWP

Government updates no-deal Brexit pension's guidance

On 9 August 2019 the Department for Work and Pensions (DWP) updated two sets of guidance covering the pension and benefit rights for:

- [UK nationals in the EU, EEA or Switzerland](#)
- [EU, EEA and Swiss citizens in the UK](#)

if there is a no deal Brexit.

TPO

Consultation on changes to TPO – Government response published

In [bulletin 179](#) we reported that on 19 December 2018 the government published a consultation seeking views on proposals for a new function at the Pensions Ombudsman (TPO) for the earlier resolution of disputes prior to a determination; allowing employers to make complaints or refer disputes to TPO on behalf of themselves; and associated signposting provisions.

On 8 August 2019 the government published its [response](#) to the consultation. On the whole, responders were supportive of the government's proposals.

Going forward, the government will:

- collaborate with HMT and the FCA to ensure the services work to support the best interests of parties that will use those services, and
- bring forward legislation to provide a framework for the proposals.

Any amendments to signposting requirements will need to be set out in secondary legislation. If needed, draft regulations will follow on from the necessary primary legislation.

Tailored review of TPO – outcome published

In November 2018 DWP led a tailored review (last review 2014) of The Pensions Ombudsman (TPO) to ensure that the body remains fit for purpose, well governed

and properly accountable for what it does. The government published the [outcome](#) of this review on 27 August 2019.

Findings indicated that:

- TPO is a well-respected and effective organisation.
- there was strong support from all consulted stakeholders for the quality, clarity and impartiality of its determinations on pension disputes.
- there was improvement to case clearance times, whilst embracing an ambitious internal change agenda.

Areas identified for improvement include:

- developing the governance and performance framework for the organisation to reflect the increasing size, complexity and maturity of its work.
- ensuring that both DWP and TPO take a more robust approach to scoping and tracking efficiencies. This is expected to yield from the investment TPO has received in its digital infrastructure and the potential to more radically streamline case handling.
- building on the outward facing engagement to position TPO more strategically, working with other relevant organisations to enhance the impact on raising standards more broadly in pensions administration.

The next tailored review will take place in around five years' time and should consider the progress made against the recommendations of this review.

TPR

2019 public service pension scheme return

In [bulletin 187](#) we confirmed that England & Wales SAB had emailed pensions managers and software suppliers with a draft conditional data report for the Pension Regulator's (TPR) public service pension scheme annual return.

We can confirm that TPR intend to issue the 2019 public service pension scheme return to scheme managers in the last week of September 2019. Wake up communications will be issued to scheme managers in the upcoming weeks.

Action for administering authorities

- Look out for the 2019 scheme return wake up communications from TPR

Draft guides to deliver CMA's recommendation to support trustees with guidance

In [bulletin 187](#) we reported on the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and the DWP consultation covering Trustee oversight of investment consultants and fiduciary managers.

The Competition and Markets Authority (CMA) made recommendations in [its final report](#) for TPR to produce guidance to support trustees in complying with the new duties. TPR have issued a [consultation](#) containing the guidance to support these recommendations. The consultation closes at 12pm on 11 September 2019.

Other news and updates

Equitable Life - update

In [bulletin 175](#) we reported that Equitable Life had announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life and Pensions (formerly known as Reliance Life). The Proposal is in two parts and details can be found on Equitable Life's [website](#).

We understand that Equitable Life has now written to administering authorities affected by the Proposal. Administering authorities as 'Scheme Policy Holders' and 'Eligible Members' are being asked to vote to:

- approve the 'Scheme'
- 'Change the Articles' to make Utmost Life and Pensions the sole Member of Equitable.

The 'Scheme':

- increases with-profits investments with an immediate one-off 'Uplift'
- removes any investment guarantees, and
- converts with-profits policies to unit-linked investments.

Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions (which does not require a vote but does need the approval of the High Court).

The deadline for the receipt of postal and online votes is 10am on 30 October 2019.

In an email to administering authorities on 28 August 2019, Lorraine Bennett confirmed that the LGA is considering obtaining legal advice on the potential risk to administering authorities of future challenge associated with the above, but before doing so we would like to gauge how many administering authorities are affected? If your administering authority is not affected you do not need to do anything.

URGENT ACTION FOR ADMINISTERING AUTHORITIES

If your administering authority is affected and is asked to vote please confirm by emailing [Lorraine Bennett](#) by Friday 30 August 2019 and let us know:

- 1. if you plan to seek the views of your members before voting**
- 2. whether you will offer a default position if they do not respond**

Bulk transfers back into a public service pension scheme under 'Fair Deal'

The Government Actuary's Department (GAD) has published [guidance](#) to help contracting authorities understand the steps that need to be taken when former public service employees with pension protection re-join an unfunded public service pension scheme (PSPS). The guidance is designed to cover situations where employees are re-joining the NHS Pension Scheme or the Civil Service pension schemes, but may apply to transfers into other schemes.

LGPS community document

On 19 August 2019 Lorraine Bennett notified administering authorities that the Secretariat has published a new document called 'the LGPS Community'. It is available to view on the guides and sample documents page of www.lgpsregs.org and www.scotlgpsregs.org.

The document has been produced in response to a request from the Local Government Pension Committee (LGPC). The purpose of the document is to explain the relationship between the different bodies that make up the Local Government Pension Scheme (LGPS) community. The document will be particularly helpful to pension committee and local pension board members, as well as administration staff, in explaining how their role fits in to the wider LGPS community.

Action for administering authorities

- forward a link to the document to your local pension board and pension committee / sub-committee members

Training

Annual governance conference

Our annual Governance Conference is taking place in York on 23 to 24 January 2020 and is [open for booking](#). The theme for the conference is 'Public service pension reform – life after Hutton'.

For more information including the conference programme and confirmed speakers see [circular 314](#) and the [conference flyer](#).

Fundamentals training

Our Fundamentals training events are aimed at pensions committee and local pension board members as well as officers who deal with governance.

This training is ideal for new committee or board members, as well as giving experienced members an opportunity to keep their knowledge up to date.

Early booking is recommended to secure places at your favoured location. You can make a booking using the links below:

Day 1	London	LGA offices, Westminster	3 October 2019
	Leeds	Marriott Hotel	17 October 2019
	Cardiff	Marriott Hotel	31 October 2019

Day 2	London	LGA offices, Westminster	6 November 2019
	Leeds	Marriott Hotel	14 November 2019
	Cardiff	Marriott Hotel	21 November 2019

Day 3	Leeds	Marriott Hotel	5 December 2019
--------------	-------	----------------	---------------------------------

Cardiff	Marriott Hotel	12 December 2019
London	LGA offices, Westminster	18 December 2019

Wider landscape

Consultation on flexibility in the NHS Pension Scheme to be replaced

In [bulletin 187](#) we reported that in July 2019 the Department of Health and Social Care had launched a [consultation](#) on proposals to increase flexibility for senior clinicians in the NHS Pension Scheme (NHSPS).

On 7 August 2019, the Government confirmed plans to open a [new public consultation](#) proposing full flexibility over the amount senior clinicians put into their pension pots. This will replace the consultation published in July. The aim is to change pension rules for top doctors, surgeons and other high-earning clinicians to allow them to take on extra shifts and treat more patients without losing out financially.

Alongside the proposals for full flexibility, HMT will review how the tapered annual allowance supports the delivery of public services such as the NHS. The Chancellor of the Exchequer Sajid Javid said:

“This Government is committed to ensuring that British people see a real difference in public services, including getting quicker GP appointments and a reduction in waiting times. Critical to that is introducing flexibility into the system so that our hospitals have the staff they need to deliver high-quality patient care, which is why we’ve listened to concerns and will be reviewing the operation of the tapered annual allowance. This will help to support the delivery of our vital public services.”

Army pensions watchdog calls for NHS pension tax reform to be extended to army doctors

In an article in the Financial Times on 16 August 2019, Major General Neil Marshall chief executive of the Forces Pension Society called for the concessions the government is considering for the NHS, to be extended across the public services. Currently the flexibility offered to the NHS will not apply to the Defence Medical Services, he stated:

“There is a direct read across from the NHS to those military medical professionals serving in the Defence Medical Services many of whom work alongside their NHS colleagues every day but have the additional liability to serve in a potentially life threatening combat situation worldwide at short notice”

Useful links

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346

Email: jeff.houston@local.gov.uk

Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)

Telephone: 0207 187 7374

Email: lorraine.bennett@local.gov.uk

Jayne Wiberg (Pensions Adviser – LGPC Secretariat)

Telephone: 07979 715825

Email: jayne.wiberg@local.gov.uk

Rachel Abbey (Pensions Adviser – LGPC Secretariat)

Telephone: 020 7664 3172

Email: rachel.abbey@local.gov.uk

Alan South (Pensions Adviser – LGPC Secretariat)

Telephone: 07867 189992

Email: alan.south@local.gov.uk

Karl White (Pensions Adviser (Training) – LGPC Secretariat)

Telephone: 07464 652886

Email: karl.white@local.gov.uk

Bob Holloway (Pensions Secretary – LGPS Scheme Advisory Board (E&W))

Telephone: 07919 562847

Email: robert.holloway@local.gov.uk

Liam Robson (Pensions Analyst – LGPS Scheme Advisory Board (E&W))

Telephone: 0207 664 3328

Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 0207 187 7344

Email: elaine.english@local.gov.uk

Distribution sheet

Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Local Government Pensions Committee
Trade unions
CLG
COSLA
SPPA
Regional Directors
Private clients
The Pensions Regulator
The Pensions Ombudsman

Copyright

Copyright remains with Local Government Association (LGA). This bulletin may be reproduced without the prior permission of LGA provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this bulletin has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this bulletin.

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

This page is intentionally left blank

Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 189 – September 2019

Foreword

This bulletin contains a number of important updates for LGPS administering authorities, scheme employers and software providers, whilst also providing a general update for all stakeholders.

Of particular importance are the articles on:

- [Updated actuarial factor spreadsheet – Club transfer factor error](#)
- [TPR's LGPS engagement report](#)

If you have any comments on the contents of this bulletin or wish to suggest items that might be included in future bulletins, please contact query.lgps@local.gov.uk.

Contents

LGPS England & Wales

[Updated actuarial factor spreadsheet - Club transfer factor error](#)
[Court proceedings and the LGPS](#)
[LGPS mortality data: approach from CMI](#)
[Pension fund annual reports 2019](#)

LGPS Scotland

[Revised late retirement guidance](#)
[Annual allowance data request](#)

HMRC

[Event Reporting](#)
[Countdown bulletin 48](#)
[Pension Schemes Newsletter 113](#)
[GMP reconciliation – stalemate cases](#)

DWP

[Tell Us Once](#)

TPO

[PO 21243 – Prudential Personal Pension Scheme](#)

TPR

[LGPS engagement report published](#)
[TPR launch re-enrolment tool for employers](#)

Other news and updates

[NI Database update](#)
[Equitable Life transfer – counsel's opinion](#)
[Consultation on changes in RPI methodology](#)
[Cost transparency code – compliance and reporting system](#)
[National LGPS Technical Group minutes published](#)

Training

[Annual governance conference](#)

Wider landscape

[Uprating of UK State Pension for recipients living in the EU after Brexit](#)

[Independent Schools and the Teachers' Pension Scheme consultation](#)

[NHS Pension Scheme consultation: increased flexibility](#)

Useful links

LGPS pensions section contact details

LGPS England & Wales

Updated actuarial factor spreadsheet - Club transfer factor error

On 20 September, MHCLG notified us that the actuarial factor spreadsheet contained errors. They provided a revised version of the spreadsheet, for immediate use, which is available on the [Actuarial guidance](#) page of www.lgpsregs.org.

In the previous version of the factor spreadsheet:

- The Club transfer factors for members aged 65 and over were incorrect as they were based on the Cabinet Office factors issued in January 2019, rather than the updated factors issued in April 2019.
- The spreadsheet did not include factors for members having a Club transfer out where they were already over their critical retirement age.

The new version of the spreadsheet includes the following updates, as confirmed by GAD:

- “1. Corrections to the tables in worksheets x-103 to x-110 to align with the latest [club memorandum](#).*
- 2. Table x-102 with factors for valuing immediate benefit payment previously omitted*

All of these factors are taken from the Public Sector Transfer Club Memorandum valid from 1 April 2019 published by the Cabinet Office. They are included in LGPS factors and guidance to make clear how scheme-specific adjustments should be applied for transfers where a LGPS member has a CRA in respect of part of their benefits.

The corrections to tables x-103 to x-110 result in a small decrease in the gross pension factors for ages equal to Normal Pension Age and above compared to the values included in previous consolidated factor workbook dated 9 August 2019.

Table 102 immediate benefit payment factors should be used for club transfers where a member is over the age by reference to which an element of the transfer value is calculated (eg a member who has reach their CRA), as set out in paragraph 2.30 of the [“Local Government Pension Scheme \(England and Wales\) Individual incoming and outgoing transfers”](#) guidance dated 8 April 2016. Note CRA adjustment factors per Table 219 is not needed where immediate factors are being used.”

MHCLG and GAD both extend their apologies for the error.

Action for administering authorities

You will need to review and recalculate certain Club transfers that have been completed since 1 April 2019. The cases that will need to be reviewed are summarised in the table below:

Age of member	Relevant date
Transfers in Members over 65 on the relevant date	The initial quote was issued on or after 1 April 2019 OR
Transfers out If the member was over their NPA or their CRA for all or part of their benefits transferred on the relevant date.	The initial quote was issued before 1 April 2019, but the member elected to proceed with the transfer outside the three month guarantee period and after 1 April 2019

Court proceedings and the LGPS

If your administering authority is notified that someone is intending to bring court proceedings relating to the LGPS (whether relating to LGPS guidance or regulations specifically, or broader legislation) please ensure that you inform MHCLG as early as possible. You can do this by emailing lgpensions@communities.gov.uk.

LGPS mortality data: approach from CMI

GAD have been approached by the actuarial profession's Continuous Mortality Investigation (CMI) to request LGPS (E&W) mortality data. A letter from [CMI to GAD setting out their proposal](#) (and [information for pension schemes](#)) is on the Board website.

GAD, MHCLG and the SAB Secretariat are supportive of this proposal in principle, but would welcome the views of stakeholders. Also on the website is a [letter setting out a summary of the CMI proposal](#), and the questions on which GAD are seeking views to be considered by the Cost Management, Benefit Design and Administration Committee. If you have any comments or views on this, please pass them to the SAB secretariat or a member of the CMBDA Committee.

Pension fund annual reports 2019

Regulation 57 of the LGPS Regulations 2013 requires administering authorities to publish their pension fund annual report, in relation to the Scheme year ending on the 31 March, on or before the following 1 December.

However, since the Local Government [Accounts and Audit Regulations 2015](#) brought forward the deadline, from 2018, to 31st July; from 2018 onwards, we understand that many local authorities have brought forward publication of their Pension Fund Annual Report and Accounts accordingly. Please email a copy of your annual report (or hyperlink) to liam.robson@local.gov.uk when it is available (by Friday 29 November at the latest). These reports will be uploaded to the Scheme Advisory Board's website [Fund Annual Report 2019](#) page.

LGPS Scotland

Revised late retirement guidance

On 20 September, Roddy McLeod notified Scottish administering authorities of the revised actuarial guidance for late retirements.

The new guidance is effective from 1 October 2019 and replaces the previous guidance dated 23 January 2017.

SPPA confirmed that where a member takes payment of their benefits before 1 October 2019, you should use the previous guidance to determine the relevant increases.

We have uploaded the new guidance to the [Actuarial Guidance](#) page of www.scotlgpsregs.org.

Annual allowance data request

On 25 September, Roddy McLeod sent the request below to Scottish administering authorities:

As you may be aware, HM Treasury is currently looking into service delivery issues caused by pensions and pension tax across public services. This work is linked to the ongoing review of the tapered Annual Allowance which the Chancellor of the Exchequer announced on 7 August. To support HMT's thinking on the scale of issues and potential policy responses (including advising Ministers on the impact of potential changes on the public services), it would be helpful for them to have the latest available information on your respective workforces and scheme members. The information requested is as follows:

- *Number of members who paid a Lifetime Allowance Charge split by tax year that charge related to (starting 2015/16), salary (£10k salary band)*
- *Number of members who made an Annual Allowance Charge scheme pays request split by tax year that request related to (starting 2015-16), salary (£10k salary band), and protection status*
- *If the Annual Allowance Charge Scheme Pays data is not available then, as an alternative, the number of members whose HMRC Pension Input Amount exceeded £40,000 split by tax year (starting 2016/17), salary (£10k salary band) and protection status*
- *Numbers and characteristics of the workforce who have opted out of the respective pension scheme*

Please reply to the following mailbox SPPAPolicy@gov.scot with the following format in the Subject field: e.g. Orkney AA Data Request.

*With apologies for the short timescale, it would be useful to have this information by **4 October** if possible.*

HMRC

Event Reporting

Annual allowance

As in previous years, HMRC is prepared to accept scheme data regarding pension savings statements for 2018/19 on an excel spreadsheet rather than through the scheme's Event Report.

All other scheme events for 2018/19, with the exception of the lifetime allowance protection regimes (see below), must be submitted via Pensions Online. You must submit the data by 31 January 2020. For information on how to submit the data, please refer to the email forwarded by Lorraine Bennett on 30 August 2019.

Lifetime Allowance

The Event Report still hasn't been amended to include lifetime allowance protections that your members applied for online. If you need to submit these details to HMRC, you can submit them on a password-protected spreadsheet and send the password in a separate email. You should put 'Lifetime allowance – Event Reporting' in the subject line of your email and send this to pensions.businessdelivery@hmrc.gov.uk and copy in david.roper@hmrc.gov.uk. You must also provide this data by 31 January 2020.

Countdown bulletin 48

HMRC published [Countdown bulletin 48](#) on 30 August 2019. The bulletin includes information on HMRC's approach for producing final data cuts.

Pensions Schemes Newsletter 113

On 29 August, HMRC published [Pension Schemes newsletter 113](#). The newsletter clarifies that by 6 October 2019 you must issue annual allowance pension savings statements for tax year 2018 to 2019:

- to your scheme members who made pension savings of more than the annual allowance to your pension scheme
- where you have reason to believe that they have flexibly accessed their pension rights, their pension savings under money purchase (and where appropriate hybrid) arrangements under your scheme are more than £4,000.

GMP reconciliation – stalemate cases

We are aware that administering authorities (along with other public service pension schemes) still have outstanding 'stalemate' cases and that a conclusion is not forthcoming.

As contracted-out reconciliation has come to an end, with schemes expecting their final data cut in November or December 2019, we have taken the decision to provide a recommendation for administering authorities to follow, if they so wish.

Background

In [bulletin 168](#) (March 2018) we confirmed that, in our view, a guaranteed minimum pension (GMP) is not a scheme benefit, it is merely the guaranteed minimum that a scheme must pay.

In the LGPS, benefits are calculated with reference to membership and pay. Those benefits are then assessed against the value of the GMP, if applicable. In order to pay a scheme benefit, the administering authority must have the necessary accurate data (as set out in the Scheme regulations). They must also comply with the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 [SI 2014/3138].

Not in scheme stalemate cases

Where there is no trace of the person in the LGPS pension fund, we recommend that the administering authority deletes all reference to this individual. Data protection legislation only allows an administering authority to hold data if they have a lawful basis for doing so. Where there is no record of an individual ever being a member of the LGPS, in our view, there is no lawful basis for holding data.

All other stalemate cases

For all other stalemate cases (whether they relate to the period of contracted out membership, GMP values etc), you should take no action until the later of the:

- member's GMP pensionable age
- date the member's Scheme benefits are paid.

HMRC business as usual (BAU) queries

You should query these cases with HMRC's BAU service when you pay a member's Scheme benefits (or when you receive a request for payment for a 'not in scheme' case).

On 17 September 2019, HMRC confirmed that the BAU model is currently in the process of being signed off.

DWP

Tell Us Once

DWP have brought the messaging service used to provide public sector pension schemes with notifications from the Tell Us Once (TUO) service in-house. As a result, the fees that were previously payable for on-boarding and change requests (IP addresses) are no longer applicable. The on-boarding process is also much simpler (access is via the internet which avoids the need for local certificates etc), so now is a good time to join if your administering authority isn't already on board.

For those who are aren't aware, TUO is an award-winning service, enabling citizens to notify partner organisations in one go of a verified registered death. The notification is instant and avoids the need for citizens to contact central, local government departments (including LGPS administering authorities) and public sector partners individually. It also removes the need (and the associated cost) for them to provide those organisations with a death certificate.

Contact [Cath Leaworthy](#) for more information about joining TUO.

We have been made aware that some LGPS administering authorities are asking the next of kin or informant for a death certificate at their expense, even though they have been notified of the death via the TUO system. There is no need to do this, it goes against the principles of TUO and is not compliant with the Data Sharing Agreement (DSA) that each administering authority using the system signed. DWP will be obliged to remove an administering authority's access to the service if they choose to request arbitrarily a death certificate from the next of kin or informant. If you would like to discuss this further please [Lorraine Bennett](#) or [Cath Leaworthy](#).

TPO

PO 21243 – Prudential Personal Pension Scheme

Mr R complained that Prudential transferred his scheme account to the Beausale Limited Pension Scheme in 2012 without carrying out sufficient due diligence.

The [complaint](#) was not upheld on the basis that the Pensions Regulator did not issue guidance to providers on pension liberation and the danger of pension scams until February 2013. It was at this point that industry practice changed with regard to the level due diligence expected. This led to the issue of 'Scorpion' leaflets, warning members about the risks to their pensions.

TPR

LGPS engagement report published

On 19 September, the Pensions Regulator (TPR) published a [report](#) on the findings from its engagement with ten local government funds. The engagement took place between October 2018 and July 2019.

The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards. The Scheme Advisory Board (England and Wales) will discuss the report in detail at their meeting on 6 November 2019.

TPR launch re-enrolment tool for employers

The Pensions Regulator has launched a [new tool](#) to assist employers comply with their automatic re-enrolment duties. The tool is intended to simplify the re-enrolment process for employers, ensuring that they continue to meet their obligations.

Other news and updates

NI Database update

The updates to the NI Database are now complete.

A total of 92 funds have signed the new Data Sharing Agreement (DSA) and are now able to use the Database for the extended uses set out in the agreement.

When searching the Database, funds will need to take into account that data for all funds is not present. You can check which funds' data is present by looking at the 'records last updated' column on the ['Participating funds'](#) page of the website.

At the date of publication, data for the following funds is not included:

England and Wales	Signed DSA	Data present
Brent Pension Fund	No	No
Enfield Pension Fund	No	No
Southwark Pension Fund	No	No
Islington Pension Fund	Yes	No
Tower Hamlets Pension Fund	Yes	No
Scotland	Signed DSA	Data present
Falkirk Pension Fund	No	No
Orkney Pension Fund	Yes	No
Scottish Borders Pension Fund	No	No
Tayside Pension Fund	No	No

We have updated [Annex 3](#) (lawful basis considerations) to the Data Sharing Agreement (DSA) to correct an error in relation to the application of the Local Government Act 2000. No action is necessary.

Equitable Life transfer – counsel’s opinion

Further to the article in [bulletin 188](#), we obtained Counsel’s opinion on considerations for LGPS administering authorities (AA) when voting on the Proposal. You can view the opinion on the [legal opinions](#) page of www.lgpsregs.org.

The opinion confirms that:

- an AA is entitled to vote
- the AA has a duty to secure that the value of additional benefits from AVCs is ‘reasonable’ having regard to the amount of the voluntary contributions and the value of other scheme benefits
- it is for AAs to determine how they exercise their votes; they cannot and must not abdicate their responsibility in this regard
- AAs must not allow themselves to be dictated to by Scheme members
- AAs will not generally be liable if they act reasonably.

Regarding whether there are any processes that AAs should follow before they determine how to vote and in order to assist with that determination, Counsel’s view is that communication with Scheme members would be prudent (for the reasons set out in the opinion). See the [full opinion](#) for more information.

Consultation on changes in RPI methodology

Chancellor of the Exchequer Sajid Javid has [announced](#) that the Government intends to consult on whether to align the RPI with the housing cost-based version of the CPI, known as CPIH. The consultation on the proposed changes will open in January 2020, and will ask whether the change should be made before 2030.

A change in RPI would affect the revaluation (while the member is active, deferred or the pension is in payment) of extra pension bought under an ARC contract that started between 1 April 2008 and 31 March 2012. It would also affect the calculation of career average pay for Welsh councillors.

Cost transparency code - compliance and reporting system

Following a procurement process, the SAB to England and Wales [announced](#) that it has appointed Byhiras to develop and host the cost transparency compliance and reporting system. It is expected to go live in the first quarter of 2020.

National LGPS Technical Group minutes published

The [minutes](#) of the meeting held on 20 September 2019 are now available on www.lgpsregs.org and www.scotlgpsregs.org. Items of importance include:

- agreements regarding subject access requests from claims management companies
- a recommendation regarding the interpretation of the rules governing aggregation and concurrency
- LGPS knowledge system – next steps.

Training

Annual governance conference

Our annual Governance Conference is taking place in York on 23 to 24 January 2020 and is [open for booking](#). The theme for the conference is 'Public service pension reform – life after Hutton'.

For more information, including the conference programme and confirmed speakers see [circular 314](#) and the [conference flyer](#).

Wider landscape

Upating of UK State Pension for recipients living in the EU after Brexit

The Government has committed to uprating the UK State Pension paid to those living in the EU each year until March 2023, in the event that the UK leaves the EU without a deal.

During this three-year period the Government plans to negotiate a new arrangement with the EU to ensure that uprating continues.

DWP [confirmed](#) on 27 September that they will be writing to more than 363,000 pensioners living in the EU to reassure them their UK State Pension will continue to be paid when we leave the EU.

Independent Schools and the Teachers' Pensions Scheme consultation

On 9 September, the Department for Education (DfE) opened a [consultation](#) to gather views on a proposal to change the Teachers' Pension Scheme (England and Wales) (TPS) rules to allow independent schools to opt out more flexibly.

Under the current scheme rules, an independent school electing to opt out of the Scheme results in all members being deferred. The proposal would allow independent schools to continue to offer TPS membership to existing staff, but not to new teachers.

Independent schools will not receive any funding to meet the cost of increased TPS employer contributions from 1 September 2019. This significant increase in costs means that more independent schools are considering opting out.

Contributions paid to the TPS by independent schools account for approximately 10% of the total scheme contributions. As an unfunded scheme, any exiting school does not have to pay an exit payment. There is a risk that increased costs will be met by local authorities paying a higher TPS employer contribution rate in the future.

The LGA will be responding to the consultation before the deadline of 3 November 2019.

NHS Pension Scheme consultation: increased flexibility

The Department for Health and Social Care is consulting on a [new set of proposals](#) to offer senior clinicians more control over their pensions growth, so they can continue to provide the services that patients need.

The new plans go significantly beyond the 50:50 flexibility previously proposed. The new proposals include:

- a 'flexible accrual' option where members can choose an accrual level in 10% increments
- the option to 'fine tune' pension growth towards the end of the scheme year, when total earnings are clearer

The [previous consultation](#) has now been withdrawn.

NHS employers have produced [guidance](#) that outlines optional local measures that employers can take to support staff who are likely to be affected by pension tax issues ahead of the increased flexibilities being introduced.

Useful links

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346

Email: jeff.houston@local.gov.uk

Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)

Telephone: 0207 187 7374

Email: lorraine.bennett@local.gov.uk

Jayne Wiberg (Pensions Adviser – LGPC Secretariat)

Telephone: 07979 715825

Email: jayne.wiberg@local.gov.uk

Rachel Abbey (Pensions Adviser – LGPC Secretariat)

Telephone: 020 7664 3172

Email: rachel.abbey@local.gov.uk

Alan South (Pensions Adviser – LGPC Secretariat)

Telephone: 07867 189992

Email: alan.south@local.gov.uk

Karl White (Pensions Adviser (Training) – LGPC Secretariat)

Telephone: 07464 652886

Email: karl.white@local.gov.uk

Bob Holloway (Pensions Secretary – LGPS Scheme Advisory Board (E&W))

Telephone: 07919 562847
Email: robert.holloway@local.gov.uk

Liam Robson (Pensions Analyst – LGPS Scheme Advisory Board (E&W))

Telephone: 0207 664 3328
Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 0207 187 7344
Email: elaine.english@local.gov.uk

Distribution sheet

Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Local Government Pensions Committee
Trade unions
CLG
COSLA
SPPA
Regional Directors
Private clients
The Pensions Regulator
The Pensions Ombudsman

Copyright

Copyright remains with Local Government Association (LGA). This bulletin may be reproduced without the prior permission of LGA provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this bulletin has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this bulletin.

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

This page is intentionally left blank



Brent Pension Fund

Annual Report and Accounts 2018/19

Pensions Regulator Scheme Number: 10272080

Contents

Page no.

The report

Chairman's Foreword	3
Management Structure	4
The Local Government Pension Scheme	5
Governance	6
Scheme Administration	8
Communications	9
Actuarial Position	10
Market & Economic Commentary 2018/19	11
Risk Management	12
Investment Policy and Performance	13
Pension Fund Accounts for 2018/19	17
Statement of Responsibilities	48
Independent Auditor's Report	49

Appendices

Annual Governance Statement	52
Governance Compliance Statement	54
Communication Policy Statement	57
Funding Strategy Statement	68
Investment Strategy Statement	112
Risk Framework	123
Pension Administration Strategy	124
Glossary	142

Chairman's Foreword

It is my pleasure to present the Annual Report and Accounts of the Brent Pension Fund for 2018/19.

The Fund has 6,756 contributors, 6,730 pensioners and 7,868 deferred pensioners.

The scheme is administered locally and is a valuable part of the pay and reward package for employees working in Brent Council or working for other employers in the Borough participating in the scheme.

During 2018/19, the value of the Pension Fund's investments has increased to £856.4m (2017/18 £831.1m). This is against a backdrop of continued uncertainty in the global economy and volatility in the financial markets. Total contributions received from employers and employees were £52.1m for the year, an increase on the previous year's £49.9m.

Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £45.9m, an increase on the previous year's £38.9m. As in 2017/18, the Pension Fund is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

The Pension Fund had its most recent Triennial Review in 2016, which set the rates for 2017/18 through 2019/20. Inevitably, the Pension Fund Sub-Committee will review the investment managers' performance and its investment strategy in the light of this valuation, making changes as it deems appropriate. The next triennial valuation is scheduled for 2019.

In conclusion, I would like to extend my thanks and appreciation to all members of the Pension Fund Sub-Committee and officers for their continued input to the strong governance and management arrangements of the Fund.

Cllr Shafique Choudhary
Chairman, Brent Pension Fund Sub-Committee

Management Structure

Administering Authority:	Brent Council Civic Centre Engineers Way Wembley Middlesex HA9 0FJ
Brent Pension Fund Officers:	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance Sawan Shah, Senior Finance Analyst Kastur Varsani, Assistant Accountant
Legal Advisers:	In-house
Custodian:	Northern Trust
Actuary:	Hymans Robertson
Financial Adviser:	William Marshall - Hymans Robertson LLP
Fund Managers:	Legal & General Henderson Capital Dynamics Yorkshire Fund Managers London CIV LCIV – Baillie Gifford LCIV - Ruffer Aviva Alinda Blackrock
Banker:	NatWest
Auditor:	Grant Thornton
Performance Measurement:	Northern Trust
AVC Providers:	Prudential Clerical Medical Equitable Life (legacy only)

The Local Government Pension Scheme

The Government Pension Scheme (LGPS) is a statutory pension scheme.

This means that it is very secure as its benefits are defined and set out in law.

Under regulation 34 of The Local Government Pension Scheme (Administration) Regulations 2008 No. 239, all LGPS funds are required to publish an Annual Report.

This document is the Annual Report and Accounts of the Brent Pension Fund for 2018/19.

The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK, with 5.8 million members.
- It is a nationwide pension scheme for people working in local government or for other types of employer participating in the scheme.
- The LGPS is administered locally by 90 regional pension funds – one of which is the Brent Pension Fund.
- It is a funded scheme, which means that Fund income and assets are invested to meet future pension fund commitments.
- Benefits are defined and related to members' salaries, so they are not dependant on investment performance. Ultimately the local authority and local taxpayers are the final guarantors.
- The scheme is regulated by Parliament.

Governance

Governance Statement

The Brent Pension Fund publishes a Governance Statement each year. The latest version of this document is at page 52.

The Governance Statement reflects the Fund's commitment to transparency and engagement with employers and scheme members.

We monitor, review and consult where appropriate to ensure that our governance arrangements continue to be effective and relevant.

Administering Authority

Brent Council is the Administering Authority of the Brent Pension Fund and administers the LGPS on behalf of its participating employers.

- Brent Council has delegated its pensions functions to the Pension Fund Sub-Committee
- Brent Council has delegated responsibility for the administration and financial accounting of the Fund to the Chief Finance Officer
- This report supports Brent Council's Annual Governance Statement, which is published at page 52.

Governance Compliance

The Brent Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) Regulation 31.

The full compliance statement is at page 54.

Pension Fund Sub-Committee

The Pension Fund Sub-Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pension Fund Sub-Committee meets quarterly to:

- ensure compliance with legislation and best practice
- determine policy for the investment, funding and administration of the Fund
- monitor performance across all aspects of the service
- consider issues arising and make decisions to secure efficient and effective performance and service delivery
- appoint and monitor advisers
- ensure that arrangements are in place for consultation with stakeholders as necessary.

Pension Fund Sub-Committee Membership as at 31 March 2019

Chair: Cllr S Choudhary

Other Members: Cllr A Aden
Cllr M Daly
Cllr V Lo
Cllr M Maurice
Cllr K Perrin
Cllr T Stephens

Employee representatives: Elizabeth Bankhole (UNISON)

Other attendees: Conrad Hall, Chief Finance Officer
Ravinder Jassar, Head of Finance
William Marshall, Financial Adviser

Pension Fund Sub-Committee Training

Training is business driven, therefore the programme is flexible. This allows us to effectively align training with operational needs and current agenda items, helping to support Member decision making.

Member training is supplemented by attendance at investment conferences and other associated events.

Conflict of Interests

There is a standing agenda item at each Pension Fund Sub-Committee meeting for Members to declare any personal or prejudicial interests.

Accountability and Transparency

Pension Fund Sub-Committee agendas, reports and minutes are published on the Brent Council website at www.brent.gov.uk.

Pension Fund Sub-Committee meetings are open to members of the public.

Scheme Administration

The Brent Pensions Team

The Brent Pensions Team monitors and manages the Fund's contractor for pension administration services, Local Pensions Partnership (LPP). The team is a contact point for employees who wish to join the scheme, for advice on procedures and for queries and complaints.

The Pensions Team is accountable to the Pension Fund Sub-Committee, participating employers and scheme members. The team are fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to delivering excellent customer care.

The team's responsibilities include the following:

- ensuring the accuracy of pensions records, including the preparation and distribution of the Annual Benefit Statements to all scheme members
- the timely collection of contributions
- advice and guidance to scheme members
- advice and guidance to employers
- early retirement schemes for Fund employees.

Operational costs

The Fund's operational costs are monitored throughout the year by the Fund's management team and reported in the Pension Fund Annual Accounts.

Communications

The Brent Pension Fund is committed to delivering a consistently high level of performance and customer service. Excellent communication is core to this commitment.

In all our communications we aim to:

- provide clear, relevant, accurate, accessible and timely information
- carefully listen, consider and respond to communications we receive
- use plain English where possible and avoid unnecessary jargon
- use the communication method that best suits the audience and the information being passed on.

The Council's Communication Policy Statement can be found at page 57.

The Statement sets out who our main customers and contacts are, detailing how and when we communicate with them. We continually review and monitor our communications and the Statement is formally reviewed and endorsed each year by the Pension Fund Sub-Committee.

Actuarial Position

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary. The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2016.

The purpose of this is to establish that the Brent Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of accrued liabilities.

In summary, the key funding principles are as follows:

- ensure that sufficient resources are available to meet all benefits as they fall due for payment;
- recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- enable employer contributions to be kept as stable as possible and at reasonable cost; and
- maximise the returns from investments within reasonable risk parameters.

The most recent valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £676m, were sufficient to meet 55% of the £1,238m liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £562m.

During 2018/19, the most commonly applied employer contribution rate within the Brent Pension Fund was 33.8% of pensionable pay and this will increase to 35.0% in 2019/20. Other employers have different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

Market and Economic Commentary 2018/19

GDP data over the 12-month period confirms that global growth has moderated with forecasts being revised lower for 2019. US growth has remained relatively robust while growth slowed more markedly in Europe and Japan. Brexit risk appears to be causing a deferral of investment as the UK economy grew at its slowest pace in several years in 2018.

Oil prices rose to a peak of \$86 per barrel in October, before plummeting to \$53 towards the end of 2018. Despite a sharp recovery in oil prices in 2019, consumer price inflation expectations for 2019 have also been revised lower in most major developed economies.

The Fed continued its gradual tightening of monetary policy over the period, the Bank of England also raised interest rates in August. However, slowing global growth and inflation saw central banks, led by Fed, adopt more dovish stances at the beginning of 2019.

The strength of the US dollar, and to a lesser extent the Japanese yen, were key features of the foreign exchange market for much of the year. Despite continued uncertainty surrounding Brexit, Sterling drifted only marginally lower in trade weighted terms.

US 10-year treasury yields reached their highest level for seven years in early October before yields fell sharply towards the end of the period amid slowing global growth. Equivalent UK yields followed this pattern, ending the period at their lowest level since Q3 2017.

Total returns in credit markets were positive, though credit spreads moved wider. Speculative-grade credit spreads rose more than their investment-grade peers, particularly in the European high yield market where specific political risks led to greater widening in 2018.

Having risen to record highs, equity markets fell steeply in the fourth quarter of 2018, before rebounding strongly in the first 3 months of 2019 as global central bank rhetoric turned more dovish - global equity returned to positive territory with the FTSE All-World index returning 5.9% year-on-year (10.7% in Sterling terms).

Japan was the worst performing region as the strength of the yen and slowing growth in Europe and China weighed on exporters while North America outperformed. The more defensive utility and healthcare sectors outperformed while financials performed worst.

UK commercial property market returns slowed to 5.6% year-on-year, with the capital value index only marginally positive. Capital values and rents in the retail sector continue to fall - down over 8% and 3.5% respectively year-on-year. Even in the industrial sector, where investment demand remains strong, capital value growth and rental growth are slowing.

Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The Fund looks to achieve this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Pension Fund manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee.

Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

A Risk Management Programme is in place to ensure the key risks are identified and that mitigating actions are taken to control these Risks. Appendix C as part of the Funding Strategy Statement notes each Objective Area in which these Risks are summarized and the mitigating actions being taken to control them.

Investment Policy and Performance

Fund Performance Review for the year 2018/19

Introduction

The Administering Authority invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

During 2018/19, the following external investment managers managed the Fund's assets:

- Legal & General (UK and overseas equities)
- Henderson (fixed income and UK smaller companies equities)
- Capital Dynamics (private equity)
- Yorkshire Fund Managers (private equity)
- London CIV
- LCIV Baillie Gifford (diversified growth fund)
- LCIV Ruffer (diversified growth fund)
- LCIV CQS (Multi Asset Credit)
- Aviva (property)
- Alinda (infrastructure)
- Blackrock (UK Gilts)

The cash balance is deposited with money market funds and through short term lending to local authorities.

2018/19 Investment Results

The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2019 is shown below:

	Total Fund Return %	Fund Benchmark Return %
1 year	7.2	6.5
3 years	8.5	9.3
5 years	7.6	8.2

The Fund's investment performance in comparison to the PIRC Local Authority percentile average for all Local Government Pension Schemes (LGPS) funds nationally is shown below:

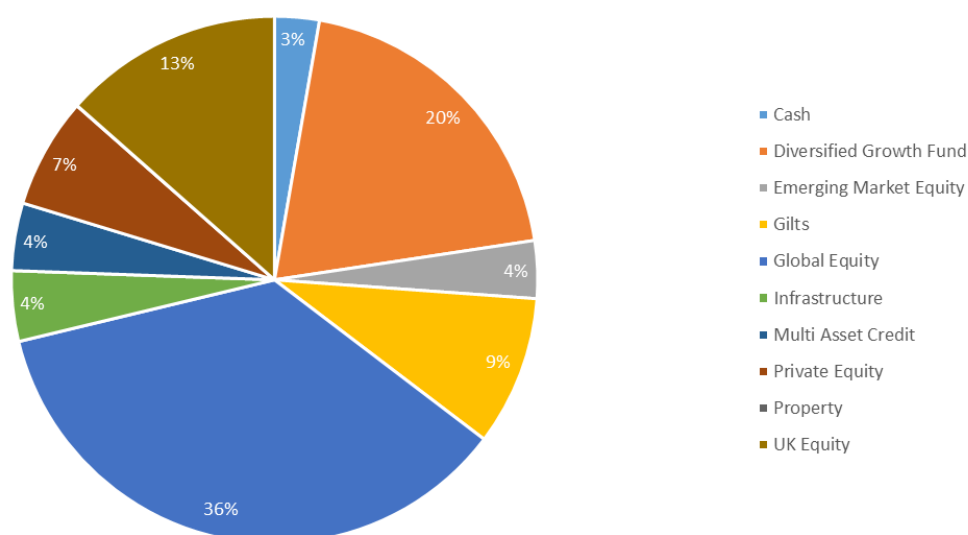
	Rank	Period ended 31 Mar 19	PIRC Local authority Average
1 year	26	7.2	6.6
3 years	86	8.5	10.5
5 years	80	7.6	8.8
10 years	97	9.1	10.7

It is important to note that, as a long term investor, investment returns over a longer period of time should be considered. The table below shows the rolling three year performance of the Fund compared to other LGPS funds:

	Rank	Rolling 3 year return
2018/19	26	8.5
2017/18	80	6.8
2016/17	75	9.9
2015/16	49	6.5
2014/15	80	10.1

The current asset allocation includes allocations to passive UK and global equities, emerging market equities, diversified growth funds, infrastructure, longer dated gilts and multi-asset credit. The allocations to private equity and property are currently being wound down and a further allocation to infrastructure was agreed in 2018/19 however it will be some time before funds are fully invested. The asset allocation as at 31 March 2019 is illustrated by the below chart.

Asset Allocation at 31 Mar 2019



Overall the fund delivered positive returns for year, with positive returns in quarters 1 (5.3%), 2 (2.6%) and 4 (5.8%). Returns in quarters 1 and 4 is mainly attributable to the increase in the value of UK and Global Equities whilst in quarter 2 Global Equities performed strongly relative to UK Equities. Fund performance was held back in quarter 3 where it contracted by 6.1%. This was primary attributable to performance in equity markets, in particular, the UK Small Cap holding.

The Fund's holdings by fund manager showing target asset allocation and performance over one, three and five year periods are shown below.

Investment	Asset Class	Planned Asset Allocation (%)	Market value 31 March 2019 (£m)	Allocation at 31 March 2019 (%)	Last Year (%)		Last 3 Years (%)		Last 5 Years (%)	
					Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Equities - L&G	UK Equity	45	115.4	13	6.48	6.36	9.72	9.51	6.25	6.10
Global Equities - L&G	Global Equity		307.5	36	12.12	12.09	15.34	15.34	13.26	13.29
UK Equities - London CIV	UK Equity		0.2	0	n/a	n/a	n/a	n/a	n/a	n/a
LCV Henderson EM	Emerging Market Equity		30.3	4	-	-	-	-	-	-
DGF LCV Baillie Gifford	Diversified Growth Fund	18	121.5	14	5.75	4.17	5.08	3.95	4.40	3.97
DGF LCV Ruffer	Diversified Growth Fund		48.6	6	-0.55	4.17	-	-	-	-
LCV Multi Asset Credit	Multi Asset Credit		35.5	4	-	-	-	-	-	-
Blackrock - Over 15 year GILTS	Gilts	15	78.7	9	-	-	-	-	-	-
Property (European) - Aviva	Property		0.2	0	-74.60	4.88	-26.19	6.18	-15.80	-
Property (UK) - Aviva	Property	5	0	0	-	-	-	-	-	-
Private Equity - Capital Dynamics	Private Equity	5	58	7	20.81	8.00	16.35	8.00	14.01	8.00
Infrastructure - Capital Dynamics	Infrastructure		11.4	1	36.36	8.00	6.61	8.00	11.60	8.00
Infrastructure - ALINDA	Infrastructure		25.6	3	-3.59	8.00	-5.51	8.00	4.66	8.00
Cash	Cash	0	23.5	3	-	-	-	-	-	-
TOTAL		100.0	856.4	100						

Further analysis and commentary on the investment performance of individual mandates can be found within the Fund's performance monitoring reports that are presented to the Pensions Sub-committee.

It is important to consider the risk framework in which the investment results are achieved. If the Fund takes more risk in its asset allocation decisions, it offers the potential for higher returns but it also increases the uncertainty of the outcome, potentially increasing the chances of a negative downside.

The Fund is committed to on-going review of its asset allocation and achieving an appropriate balance between risk and reward. Further information can be found in the Investment Strategy Statement.

Funding Strategy Statement (FSS)

In accordance with the Local Government Pension Regulations, Brent Pension Fund has a Funding Strategy Statement in place which can be found at page 68.

Investment Strategy Statement (ISS)

The Investment Strategy Statement sets out the policy which determines how the Fund invests its assets. This can be found on page 112 of this document. The Scheme rules require that we publish the ISS that covers our policy on:

- the types of investment to be held
- the balance between different types of investments
- attitude to risk and approach to its management
- the expected return on investments
- the extent to which social, environmental or ethical considerations are taken into account.

Investment Pooling

Overall, the Fund continued to increase the investments it has made through the London CIV, the investment pool for London Boroughs, in 2018/19. The Fund had 4 investments with the London CIV as at 31/3/2019: Emerging Market equities (through Janus Henderson), Diversified Growth Funds (Baillie Gifford/Ruffer) and Multi Asset Credit (CQS). Additionally, the Fund's passive equity investments through Legal and General and Gilts through Blackrock are arranged through the London CIV's negotiated mandate where the Fund benefits from lower negotiated fees.

All asset classes except Property, Private Equity, Infrastructure and Cash are managed by the London CIV asset pool. Therefore, the Fund has approximately 86% of its investments held with the regional pool or under the pool's oversight.

The initial pool set-up costs, principally legal and professional, were £1.7m and these costs were funded equally by the 33 London Local Authorities prior to the CIV's launch in 2015. Transition costs borne by the Local Authority are not included in this figure. The Fund became a shareholder in the London LGPS CIV Ltd in 2015 and holds £150k share capital in the company which is included within the Fund's balance sheet within the Statement of Accounts. Additionally, all shareholders in the London CIV, including the Brent Pension Fund, contributed an annual service charge of £25k and a development funding charge of £65k (in 2018/19).

The London CIV can be contacted by post at: London CIV, Fourth Floor, 22 Lavington Street, London, SE1 0NZ or by telephone on 0208 036 9000.

Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2019

2017/18 £m		Notes	2018/19 £m
	Dealings with members, employers and others directly involved in the fund		
(49.9)	Contributions	7	(52.1)
(3.6)	Transfers in from other pension funds	8	(2.8)
(53.5)			(54.9)
38.9	Benefits	9	45.9
36.1	Payments to and on account of leavers	10	1.8
75.0			47.7
21.5	Net (additions)/withdrawals from dealings with members		(7.2)
4.3	Management expenses	11	6.8
25.8	Net (additions)/withdrawals including management expenses		(0.4)
	Returns on investments		
(1.2)	Investment income	12	(1.4)
0.3	Taxes on income	13	0.0
(22.4)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(61.7)
(23.3)	Net return on investments		(63.1)
	Net (increase)/decrease in the net assets available for benefits during the year		(63.5)
2.5			
(803.6)	Opening net assets of the scheme		(801.1)
(801.1)	Closing net assets of the scheme		(864.6)

Net Assets Statement

31 March 2018 £m		Notes	31 March 2019 £m
831.3	Investment assets	14	856.4
831.3			856.4
1.4	Current assets	20	9.1
0.0	Non-current assets	20	0.0
(31.6)	Current liabilities	21	(0.9)
801.1	Net assets of the fund available to fund benefits at the period end		864.6

College of North West London exited the Fund on 1st August 2017. At 31st March 2018, the College's share of the Fund's net assets at that date had not been transferred (see Note 21). The transfer amount was initially estimated at £30.9m as at 31st March 2018. A revised figure was provided in January 2019 of £30.8m and the payment was made in February 2019.

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2019, but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

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 following description of the Fund is a summary only.

a) General

The Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Brent Pension Fund include:

Scheduled bodies whose staff are automatically entitled to be members of the Fund

Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 36 employer organisations with active members within the Brent Pension Fund at 31 March 2019, listed below:

Scheduled bodies

London Borough of Brent
Alperton High School
ARK Academy
ARK Franklin Academy
ARK Elvin Academy
Braintcroft School
Capital City Academy
Claremont High School
Convent of Jesus & Mary Language College
Crest Academy
Furness Primary School
Gladstone Park School
Kingsbury High School
Manor School
Michaela Community School
North West London Jewish day School
Oakington Manor School
Preston Manor High School
Queens Park Community School
St Andrews and St Francis School
St Gregory's RC High School
Sudbury Primary School
Wembley High Technology College
Woodfield School

Admitted bodies

Capita Business Services Limited
 Conway Aecom
 Apleona HSG Limited (previously Bilfinger originally Europa Facility (Services Limited)
 Caterlink LTD
 National Autistic Society
 Local Employment Access Project (LEAP)
 Sudbury Neighbourhood Centre
 Wetton Cleaning Services
 Veolia
 Xerox
 Barnardos
 Taylor Shaw

31 March 2018	Brent Pension Fund	31 March 2019
35	Number of employers with active members	36
	Number of employees in scheme	
4,412	Brent Council	5209
1,835	Other employers	1547
6,247	Total	6756
	Number of pensioners	
5,666	Brent Council	6193
636	Other employers	537
6,302	Total	6730
	Deferred pensioners	
6,923	Brent Council	7053
990	Other employers	815
7,913	Total	7868

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2018/19, the most commonly applied employer contribution rate within the Brent Pension Fund was 33.8% of pensionable pay.

d) Benefits

Since April 2014, the scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate 1/49th. Accrued pension is updated annually in line with the Consumer Price index.

For a summary of the Scheme before April 2014 and details of a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits please refer to the LGPS website: www.lgpsmember.org

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions from the members and from the employers, 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) Contingent Assets

Admitted body employers in the Brent Pension Fund hold 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. Contingent Assets are disclosed in Note 25.

j) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

k) Derivatives

The Fund does not use derivative financial instruments to manage its exposure to specific risks arising from its investment activities in its own name. Neither does it hold derivatives for speculative purposes.

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

o) Additional voluntary contributions

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Fund's accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 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 2019 was £95m (£98m at 31 March 2018).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £176m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £19m, and a one-year increase in assumed life expectancy would increase the liability by approximately

		£73m.
--	--	-------

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 £95m. There is a risk that this investment may be under- or overstated in the accounts.

6. Events after the Balance Sheet date

There have been no events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

DRAFT

7. Contributions receivable

By category

	2017/18	2018/19
	£m	£m
Employees' contributions	8.1	9.2
Employers' contributions:		
Normal contributions	38.9	39.7
Deficit recovery contributions	1.7	1.7
Augmentation contributions	1.2	1.5
Total employers' contributions	41.7	42.9
Total	49.9	52.1

By authority

	2017/18	2018/19
	£m	£m
Administering Authority	39.0	42.0
Scheduled bodies	8.9	8.5
Admitted bodies	2.0	1.6
Total	49.9	52.1

8. Transfers in from other pension funds

	2017/18	2018/19
	£m	£m
Individual transfers	3.6	2.8
Total	3.6	2.8

9. Benefits payable

By category

	2017/18	2018/19
	£m	£m
Pensions	34.4	37.7
Commutation and lump sum retirement benefits	4.3	7.1
Lump sum death benefits	0.3	1.1
Total	39.0	45.9

By authority

	2017/18	2018/19
	£m	£m
Administering Authority and Scheduled bodies	37.6	44.1
Admitted bodies	1.4	1.8
Total	39.0	45.9

10. Payments to and on account of leavers

	2017/18	2018/19
--	---------	---------

	£m	£m
Individual transfers	5.0	1.8
Refunds to members leaving service	0.2	0.1
Group transfers	30.9	(0.1)
Total	36.1	1.8

College of North West London left the Fund on 1st August 2017. Group transfers relates to the college's share of the Fund's net assets at that date. At 31st March 2018, this transfer had not taken place. In February 2019, the figure was revised to £30.8m, resulting in a surplus of £0.1m compared to the figure estimated in March 2018.

11. Management Expenses

	2017/18 £m	2018/19 £m
Administration costs	0.7	1.2
Investment management expenses	3.5	3.2
Oversight and Governance costs	0.1	0.2
Other expenses	0.0	2.2
Total	4.3	6.8

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £16.5k (21k 2017/18).

The £2.2m other expense relates to a write off of a number of memo balances that were historically held by Northern Trust, following a detailed review between Brent officers and Northern Trust. This does not represent a loss in investment terms or cash, rather a misstatement of balances held by Northern Trust that, for Brent, required an accounting adjustment between the balance sheet and the income and expenditure account.

a) Investment management expenses

	2017/18 £m	2018/19 £m	
Management Fees	3.4	2.7	Management Fees are charged periodically as a
Custody Fees	0.0	0.1	
One-off Transaction Costs	0.0	0.4	
Total	3.4	3.2	

percentage of the value of the assets invested in each fund. 2018/19 saw the implementation of a new investment strategy, with a number of new investments being purchased and sold in the 2nd half of the year, resulting in lower overall management fees, however increasing the amount of transaction fees incurred. New investments were done through the London CIV, allowing the Fund to benefit from lower overall fees.

One-off transactions costs are associated with implementing the funds new investment strategy which involved selling existing investments and buying new investments.

12. Investment income

	2017/18	2018/19
	£m	£m
Dividend income private equities/infrastructure	0.4	0.2
Income from Pooled property investments	0.3	0.5
Income from private equities/infrastructure	0.3	0.2
Interest on cash deposits	0.2	0.5
Total	1.2	1.4

13. Taxes on income

	2017/18	2018/19
	£m	£m
Withholding tax	0.3	0.0
Total	0.3	0.0

14. Investments

	Market value 31 March 2018 £m	Market value 31 March 2019 £m
Investment assets		
Pooled investments	636.9	737.7
Pooled property investments	2.1	0.2
Private equity/infrastructure	98.3	95.0
Total investments	737.3	832.9

a) Investments 18/19

	Market value 1 April 2018 £m	Purchases during the year £m	Sales during the year £m	Change in market value during the year £m	Market value 31 March 2019 £m
Pooled investments	636.9	181.9	(122.0)	40.9	737.7
Pooled property investments	2.1	0.0	(1.4)	(0.5)	0.2
Private equity/infrastructure	98.3	6.1	(30.7)	21.3	95.0
	737.3	188.0	(154.1)	61.7	832.9
Other Investment balances:					
Cash Deposit	94.0				23.5
Investment Income due	0.0				0.0
Net investment assets	831.3				856.4

	Market value 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2018
	£m	£m	£m	£m	£m
Pooled investments	620.3	0.0	(1.1)	17.8	636.9
Pooled property investments	3.6	0.0	(0.9)	(0.6)	2.1
Private equity/infrastructure	130.3	4.2	(44.4)	8.3	98.3
	754.2	4.2	(46.4)	25.5	737.3
Other Investment balances:					
Cash Deposit	47.5				94.0
Investment Income due	1.0				0.0
Net investment assets	802.7				831.3

b) Analysis of investments by category

	31 March 2018 £m	31 March 2019 £m
Pooled funds – additional analysis		
UK		
Fixed income unit trust – Public Sector	27.1	35.5
Fixed income unit trust – Other	67.1	
Unit trusts	140.1	224.6
Diversified growth funds	128.3	170.1
Overseas		
Unit trusts	274.3	307.5
Total Pooled funds	636.9	737.7
Pooled property investments	2.1	0.2
Private equity/infrastructure	98.3	95.0
Total investments	737.3	832.9

c) Investments analysed by fund manager

Market value

31 March 2018			31 March 2019	
£m	%		£m	%
382.7	51.9	Legal & General	422.9	50.8%
0.2	0.0	London CIV	0.2	0.0%
125.7	17.1	Henderson	30.3	3.6%
72.9	9.9	Capital Dynamics	69.4	8.3%
0.5	0.1	Yorkshire Fund Managers	0.0	0.0%
79.5	10.8	LCIV - Baillie Gifford	121.5	14.6%
48.8	6.6	LCIV - Ruffer	48.6	5.8%
0.0	0.0	LCIV- MAC (CQS)	35.5	4.3%
2.1	0.3	Aviva	0.2	0.0%
24.9	3.4	Alinda	25.6	3.1%
0	0	Blackrock	78.7	9.4%
737.3	100.0		832.9	100.0

All the above companies are registered in the United Kingdom.

d) Stock lending

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

15a. Valuation of financial instruments carried at fair value

The basis of the valuation of each asset class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and	Level 2	Closing bid price where bid and offer prices are published. Closing single price where	NAV-based pricing set on a forward pricing basis	Not required

property funds		single price published		
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value of decrease
		£m	£m	£m
Private equity	28%	58.0	74.2	41.8
Infrastructure	20%	37.0	44.8	29.2

15b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

- Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities,

quoted index linked securities and unit trusts.

- Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

- Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

- Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.
- Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.
- The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Brent Pension Fund has invested.
- These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Transfers between levels will be recognised when there has been a change to observable market data (improvement or reduction) or other change in valuation technique.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2019	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	0.0	737.9	95.0	832.9

Loans and receivables	23.5	0.0	0.0	23.5
Total financial assets	23.5	737.9	95.0	856.4
Financial liabilities				
Financial liabilities at amortised cost	(0.9)			(0.9)
Total financial liabilities	(0.9)			(0.9)
Net financial assets	22.6	737.9	95.0	855.5

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2018	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss		639.0	98.3	737.3
Loans and receivables	95.4			95.4
Total financial assets	95.4	639.0	98.3	832.7
Financial liabilities				
Financial liabilities at amortised cost	(31.6)			(31.6)
Total financial liabilities	(31.6)	0	0	(31.6)
Net financial assets	63.8	639.0	98.3	801.1

15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2018	98.3
Transfers into Level 3	0

Transfers out of Level 3	0
Purchases	6.1
Sales	(30.7)
Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	21.3
Value at 31 March 2019	95.0

16. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2018			31 March 2019		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
Financial assets					
636.9			737.7		
2.1			0.2		
98.3			95.0		
	94.0			23.5	
	1.4			9.1	
737.3	95.4	0.0	832.9	32.6	0.0
Financial Liabilities					
		(31.6)			(0.9)
737.3	95.4	(31.6)	832.9	32.6	(0.9)
Totals					

a) Net gains and losses on financial instruments

31 March 2018
£m

31 March 2019
£m

	Financial assets		
25.4	Fair value through profit and loss		61.7
25.4	Total		61.7

b) 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 2018			31 March 2019	
Carrying value £m	Fair value £m		Carrying value £m	Fair value £m
		Financial assets		
737.3	737.3	Fair value through profit & loss	832.9	832.9
95.4	95.4	Loans and receivables	32.6	32.6
832.7	832.7	Total financial assets	865.5	865.5
		Financial liabilities		
(31.6)	(31.6)	Financial liabilities at amortised cost	(0.9)	(0.9)
(31.6)	(31.6)	Total financial liabilities	(0.9)	(0.9)

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

17. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period. The potential price changes disclosed below 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.

Asset Type	31/03/2019 Value (£m)	Potential market movements (+/-)
Bonds	35.5	9.7%
Equities	532.1	16.9%
Other Pooled investments	170.1	6.6%
Pooled Property investments	0.2	14.3%
Private Equity	95.0	28.3%

Had the market price of the fund investments increased/decreased the change in the net assets available to pay benefits in the market price would have been as follows.

Asset Type	31/03/2019 Value (£m)	Potential value on increase (£m)	Potential value on decrease (£m)
Bonds	35.5	38.9	32.1
Equities	532.1	622.0	442.2
Other Pooled investments	170.1	181.3	158.9
Pooled Property investments	0.2	0.2	0.2
Private Equity	95.0	121.9	68.1
Total	832.9	964.4	701.4

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 2018 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2018 £m	31 March 2019 £m
Cash balances	94.0	23.5
UK Fixed income unit trust	94.1	35.5
Total	188.1	59.0

Asset type	Carrying amount as at 31 March 2019 £m	Change in year in the net assets available to pay benefits	
		+100 BPS £m	-100 BPS £m
Cash balances	23.5	0.2	(0.2)
UK Fixed income unit trust	35.5	0.4	(0.4)
Total change in assets available	59.0	0.6	(0.6)

Asset type	Carrying amount as at 31 March 2018 £m	Change in year in the net assets available to pay benefits	
		+100 BPS £m	-100 BPS £m
		Cash balances	94.0
UK Fixed income unit trust	94.1	0.9	(0.9)
Total change in assets available	188.1	1.8	(1.8)

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 2019 and as at the previous period end:

Currency risk exposure – asset type	Asset value at 31 March 2018 £m	Asset value at 31 March 2019 £m
Overseas unit trusts	274.3	307.5
Overseas pooled property investments	2.1	0.2
Overseas private equity/infrastructure	98.3	95.0
Total overseas assets	374.7	402.7

A 1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset value as at 31 March 2019 £m	Change to net assets available to pay benefits	
		+1% £m	-1% £m
Overseas unit trusts	307.5	3.1	(3.1)
Overseas pooled property investments	0.2	0.0	(0.0)

Overseas private equity/infrastructure	95.0	1.0	(1.0)
Total change in assets available	402.7	4.1	(4.1)

	Asset value as at 31 March 2018	Change to net assets available to pay benefits	
	£m	+1% £m	-1% £m
Overseas unit trusts	274.3	2.7	(2.7)
Overseas pooled property investments	2.1	0.0	(0.0)
Overseas private equity/infrastructure	98.3	1.0	(1.0)
Total change in assets available	374.7	3.7	(3.7)

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Pension Fund's cash balance is held in an interest bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2019 was £34.2m (31 March 2018: £94m). This was held with the following institutions:

	Rating	Balances as at 31 March 2018	Balances as at 31 March 2019
		£m	£m
Bank deposit accounts			
NatWest	BBB+	(1.5)	2.0
Northern Trust		6.6	5.6
Money Market deposits	A+	48.9	24.9
Other short-term lending			
Local authorities		40.0	35.0
Total		94.0	67.5

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its pensioner payroll costs and investment commitments.

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2019 the value of illiquid assets was £95.2m, which represented 11% (31 March 2018: £100.4m, which represented 12%) 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 2019 are due within one year.

d) Refinancing risk

The key risk is that the Pension Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18. Funding arrangements

In line with the LGPS (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 2016. The next valuation will take place as at March 2019.

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 19 years from 1 April 2016 (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 2016 actuarial valuation, the Fund was assessed as 55% funded (56% at the March 2013 valuation). This corresponded to a deficit of £562m (2013 valuation: £442m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 19 years from April 2016.

Contribution increases were phased in over the three-year period beginning 31 March 2017 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2017/18	32.5%
2018/19	33.8%
2019/20	35.0%

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 2016 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 2016 actuarial valuation were as follows:

Discount rate	3.8% p.a.
Pay increases	2.4% p.a.
Pension increases	2.1% p.a.

Mortality assumptions

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

Mortality assumption at age 65	Male	Female
Current pensioners	22.3 years	24.5 years

Commutation assumption

It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2019 was £1,826m (31 March 2018: £1,680m). This figure includes both vested and non-vested benefits, although the latter is assumed to have a negligible value. The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Financial assumptions

Inflation/pensions increase rate	2.5%
Salary increase rate	2.8%

Discount rate 2.4%

Longevity assumption

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners*	24.1years	26.4 years

* Future pensioners are assumed to be currently aged 45

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate (CPI)	8%	148.0
0.5% p.a. increase in the Salary Increase Rate	1%	19.0
0.5% p.a. decrease in the discount rate	10%	176.0

20. Assets

a) Current assets

	31 March 2018 £m	31 March 2019 £m
Debtors:		
- Contributions due – employees	0.2	1.3
- Contributions due – employers	1.0	7.0
- Sundry debtors	0.2	0.8
Total	1.4	9.1

Analysis of debtors

	31 March 2018 £m	31 March 2019 £m
Central government bodies	0.0	0.1
Other local authorities	1.4	9.0
Other entities and individuals	0.0	0.0
Total	1.4	9.1

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

21. Current liabilities

	31 March 2018 £m	31 March 2019 £m
Payments to and on account of leavers	30.9	(0.1)
- Group transfers		
Sundry creditors	0.7	1.0
Total	31.6	0.9

Analysis of creditors

	31 March 2018 £m	31 March 2019 £m
College of North West London	30.9	(0.1)
Other entities and individuals	0.7	1.0
Total	31.6	0.9

22. Additional voluntary contributions

Market value Market value

	31 March 2018	31 March 2019
	£m	£m
Clerical Medical	1.2	1.3
Equitable Life	0.2	0.2
Prudential	0.1	0.3
Total	1.5	1.8

The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

For information, Prudential has since replaced Clerical Medical as the Fund's AVC provider with effect from 1 April 2014.

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

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 £0.796m (2017/18: £0.680m) 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 £32.5m to the Fund in 2018/19 (2017/18: £30.7m).

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

The key management personnel of the fund are the Chief Executive, the Director of Legal & HR, the Chief Finance Officer (s.151 officer) and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	31st March 2018	31st March 2019
	£m	£m
Short Term Benefits	0.033	0.036
Post Employment Benefits	0.007	0.008
Termination Benefits	0	0
Total Remuneration	0.040	0.044

24. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2019.

25. Contingent Assets

Outstanding capital commitments (investments) at 31 March 2019 totalled £26.9m (31 March 2018: £29.5m).

	31 March 2018	31 March 2019
	£m	£m
Capital Dynamics	13.0	14.1
Alinda Fund I	2.9	2.9
Alinda Fund II	13.6	9.9
Total	29.5	26.9

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.

Other Contingent assets

Seven 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 2018	31 March 2019
	£'000	£'000
Apleona HSG Ltd (previously Bilfinger and Europa)	0.1	0.1
Capita Business Services Limited	0.1	0.1
Conway Aecom	0.1	0.1
Total	0.3	0.3

26. Impairment Losses

The Fund had no contingent liabilities at 31 March 2019.

Statement of Responsibilities

The Fund's responsibilities

The Fund is required to:

- make arrangements for the proper administration of its financial affairs and to make one of its officers responsible for the administration of those affairs. At Brent Council, the Chief Finance Officer fulfils that responsibility.
- manage its affairs so as to use resources economically, efficiently and effectively, and safeguard its assets
- approve the Brent Pension Fund's statement of accounts.

Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for preparing the Brent Pension Fund's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2018/19 ('the Code of Practice').

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Chief Finance Officer has also:

- kept proper accounting records, which are up to date
- taken reasonable steps to prevent fraud and other irregularities.

Chief Finance Officer's statement

I certify that the statement of accounts as set out on pages 17 to 47 presents a true and fair view of the financial position of the Brent Pension Fund as at the accounting date and its income and expenditure for the year ended 31 March 2019.

Minesh Patel CPFA
Chief Finance Officer
Date **TBC**

Independent auditor's report to the members of London Borough of Brent on the pension fund financial statements of Brent Pension Fund

Opinion

We have audited the financial statements of Brent Pension Fund (the 'pension fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 79 to 80, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Paul Dossett Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

18 July 2019

Appendices

Annual Governance Statement

The Local Government Pension Scheme (Amendment) (No 3) Regulations 2007 require the Fund to maintain a Governance Policy Statement.

The Council, as Administering Authority for the Brent Pension Fund, has delegated responsibility for managing the Fund's investments to its Pension Fund Sub-Committee.

The Pension Fund Sub-Committee oversees the proper administration and management of the Pension Fund. It is responsible for:

- undertaking statutory functions on behalf of the Local Government Pension Scheme and ensuring compliance with legislation and best practice
- determining policy for the investment, funding and administration of the Pension Fund
- considering issues arising and making decisions to secure efficient and effective performance and service delivery
- appointing and monitoring all relevant external service providers:
 - fund managers
 - advisers
 - custodian
 - actuary
 - all other professional services associated with the structure and functions of the Pension Fund
- monitoring performance across all aspects of the service
- ensuring that arrangements are in place for consultation with stakeholders as necessary
- considering the annual statement of Pension Fund accounts
- considering and approving the Pension Fund actuarial valuation.

The Pension Fund Sub-Committee normally meets four times each year. These meetings are used mainly for discussions with the Fund's investment managers, using reports on their strategies and performance prepared by the Chief Finance Officer, any views of the independent adviser, and presentations prepared by the managers themselves. The Pension Fund Sub-Committee will also consider reports from the Chief Finance Officer, the independent adviser and other consultants as necessary on a range of issues, for example reviews of the Statement of Investment Principles, training, and proposals for scheme change.

The Pension Fund Sub-Committee is constituted to reflect the views of:

- the Council as Administering Authority and the largest employer with 81% of the contributing membership
- other employers with 19% of the membership, and
- the Fund's contributors.

The Pension Fund Sub-Committee consists of:

- seven Brent councillors
- a representative of other employers

There is also an independent adviser who attends all Pension Fund Sub-Committee meetings.

Training

Members of the Pension Fund Sub-Committee and Brent officers have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate. The cost of attending is charged to the Pension Fund.

Use of advisers

The Chief Finance Officer advises the Pension Fund Sub-Committee on all Pension Fund investment and administrative matters.

The Fund's independent adviser advises the Pension Fund Sub-Committee on investment matters.

The Pension Fund Sub-Committee uses the Fund's actuary, Hymans Robertson, and other consultants as necessary, for advice on matters when in-house expertise is not available. The Pension Fund Sub-Committee takes advice from the actuary, the fund managers or specialist consultants or advisers as required on asset allocation, selecting managers, and investment performance targets.

Communications with Fund employers and members

Each financial year, an annual report on the Fund is prepared for the Fund's employers. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.

Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

Governance Compliance Statement

This statement shows how Brent Council as the Administering Authority of the Brent Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

Ref.	Principles	Compliance and comments
A	Structure	
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance. Brent Council's constitution sets out the terms of reference for the Pension Fund Sub-Committee.
b.	That representatives of participating LGPS employers, admission bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Full compliance. The Pension Fund Sub-Committee includes a representative of the other employers in the Fund and contributor members.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No formal secondary committees or panels have been established.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No formal secondary committees or panels have been established.
B	Representation	
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g. admission bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers, and iv) expert advisers (ad-hoc basis only). 	Full compliance. The Pension Fund Sub-Committee includes a representative of the other employers in the Fund and contributor members. The Fund's independent adviser attends Pension Fund Sub-Committee meetings. Independent professional observers are not regarded as appropriate.
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.

Ref.	Principles	Compliance and comments
C	Selection and role of lay members	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance.
D	Voting	
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance. All representatives on the Pension Fund Sub-Committee have full voting rights, but the Sub-Committee works by consensus without votes being required.
E	Training/facility time/expenses	
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance. Full training and facilities are made available to all members of the Pension Fund Sub-Committee.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance.
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance. A training plan has been prepared for the Pension Fund Sub-Committee and training logs are maintained for all such training undertaken.
F	Meetings (frequency/quorum)	
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance. The Pension Fund Sub-Committee meets at least four times a year on a quarterly basis to fit its business needs.
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	No formal secondary committees or panels have been established.
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance. The Pension Fund Sub-Committee includes lay members. Road shows are arranged for employers.

Ref.	Principles	Compliance and comments
G	Access	
a.	That, subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
H	Scope	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance. The Pension Fund Sub-Committee deals with fund administration issues as well as fund investment.
I	Publicity	
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance. The Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.

Communication Policy Statement

Introduction

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

The Communications Strategy is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulation 2013. The provision requires the Administering Authority to:

- (1) Prepare, Maintain and publish a written statement setting out its policy concerning communications with:
 - (a) Members
 - (b) Representatives of members
 - (c) Prospective members
 - (d) Scheme employers

- (2) In particular the statement must set out its policy on:
 - (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
 - (b) the format, frequency and method of distributing such information or publicity; and
 - (c) the promotion of the Scheme to prospective members and their employers

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication.

Pension Fund Administration

From October 2018, the London Borough of Brent delegated the pension administration service to Lancashire County Council (LCC) who have engaged the Local Pensions Partnership (LPP) to undertake their pensions portfolio. LPP was formed in 2016 through a collaboration between LCC and the London Pensions Fund Authority (LPFA) and provides pension services to the Local Government Pension Scheme, police, firefighters and other public sector funds.

Communication Responsibilities and Resources

The provision of timely, relevant information in a suitable format is key to ensuring efficient and effective communications. It is important that we consider the costs in terms of resource and staff time for all communications and work with the LPP to ensure there are appropriate systems and processes in place to facilitate these communications with our stakeholders.

Communications with Scheme Members

Our aims for communicating with our scheme members are:

- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team
- to encourage the use of the pension scheme website and registration to My Pension Online - Member Self Service.

The Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the Brent Pension Scheme website and Member Self Service
- Working with LPP to ensure communications are relevant and timely

Action	Audience	Media	End of Year Review 2019
Review and update the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web	
Promote the use of the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web	
Promote My Pension Online – Member Self Service	Active and Deferred	Web	
Explore the development of My Pensions Online – Member Self Service for pensioner members	Pensioner	Web	
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	

The pension scheme will provide the following communications as required, in addition to day to day individual communications with members.

Communication	Media	Frequency of Issue	Distribution	Audience
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Post to home address for targeted communication	All
Forms	Web or paper	As required	Available to download or post to home address	All
Annual Benefit Statements	Web or paper if opted out of online statements	Annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred
Road shows/ Workshops	Face to face	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1 st pension payment and every April and May. Payslip sent if a variation in £3 or more	Post to home address	Pensioner
Notice of Pensions Increase	Paper / Electronic	Annually in April	Post to home address for those who opted out of e-communication and upload to http://www.yourpension.org.uk/Brent/Home.aspx	Pensioner

Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Newsletters - Newsletters are issued as required, usually when a significant change to the scheme occurs. Pensions Increase newsletters are sent annually to advise pensioner members of the increase to their pension.

Forms – Many of the required LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and expression of wish form.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits to their normal retirement date. The associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant. For deferred members these show the current value of the pension benefits, associated death benefits and details of any individuals the member has nominated to receive the lump sum death grant. These released at the end of August and are available on My Pension Online – Member Self Service. Members can opt out of the online service and elect to receive a paper copy sent to their home address.

Pensioner payslips – The payslips are sent when a member receives their first pension payment. They are posted to the pensioner's home address.

Internal Disputes Resolution Procedure – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPP pension administration team or the Brent Pensions Projects or Contracts Manager

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the Brent Pensions website.

Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team

The Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media	End of Year Review 2019
Ensure pension forms are included in starter packs	New employees	Electronic	
Review and update the pension website	All	Web	
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	

The pension scheme will work with employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Paper	On commencing employment	Via employers	New employees
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pensions Joiner Option Form – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website.

Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding their funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers

The Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of Your Fund, the LPP's online submission portal
- on-going promotion of the employer section of the Brent pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2019
Maximise the use of the newly developed ERM employer communication database on Altair	Employers	System	
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face	

Review and update the pension website	Employer	Web	
Work with LPP and Scheme employers to implement Your Fund.	Employer	Web	
Work with LPP and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	

The pension scheme will provide the following communication to employers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	electronic	Annually	By email	All
Induction meeting	Face to Face	On becoming a scheme employer	By email	New scheme employers
Pension Website https://www.yourpension.org.uk/Brent/Home.aspx	Web	Continually available. Updated as required	Advertised on all communications	All
Tupe Manual and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	Via email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All

Explanation of communications

Contact sheet – A form distributed annually to all scheme employers to ensure contact details are kept up to date. Details are recorded on the ERM system on Altair

Induction Meeting – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities. An information leaflet is being updated to accompany the meeting and will be made available on the pension website once completed

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP

Tupe Manual and Admissions Policy – These documents are relevant to Letting Authorities that are looking to outsource a service to a third party supplier

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website

Pension Fund Valuation Reports – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three year period

Funding Strategy Statement – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

Communications with Representatives of Members

Pensions Committee

Our aims for communicating with Pensions Committee are:

- to provide information to enable the Committee to make decisions delegated under the Council's constitution
- to provide information to ensure the Committee are kept informed of pension related matters
- to ensure the Committee are aware of their responsibilities in relation to the Scheme

The Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	Audience	Media	End of Year Review 2019
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	
To arrange required training as and when required	Pensions Committee Members	Face to Face	

The pension scheme will provide the following communication to Pensions Committee Members as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk website	Pension Committee Members and Trade Union representatives
Pensions Committee Briefings	Face to face	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to face	When there is a new Pensions Committee and as and when required	By email	Pensions Committee Members and Trade Union representatives

Explanation of communications

Pensions Committee Reports – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the Brent.gov.uk website

Pension Committee Briefings – Pension Fund officers attend each Committee meeting and provide a verbal briefing on each Committee report

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Training is shared with the Local Pension Board members where applicable

Pensions Board

Our aims for communicating with the Local Pensions Board are:

- to provide information to enable the board to assist the Scheme Manager in executing their duties
- to provide information to ensure the board are kept informed of pension related matters
- to provide training with regards to investment and administration matters

The Key actions will be:

- to submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

Action	Audience	Media	End of Year Review 2019
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	
To arrange required training as and when required	Local Pension Board	Face to Face and online	

The pension scheme will provide the following communication to the Pension Board as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk and yourpension.org.uk websites	Local Pension Board
Local Pension Board Briefings	Face to face	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	Before each board meeting. Continual self- development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board

Explanation of communications

Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

Other Stakeholders

Pension Fund Manager (Finance)

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

Local Pensions Partnership

The scheme manager is responsible for monitoring the administration contract with the Local Pensions Partnership. Monthly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

Investment Fund Managers

Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

Trade Unions

Trade unions in the London Borough of Brent are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

Contents

Funding Strategy Statement		PAGE
<u>1</u>	<u>Introduction</u>	59
<u>2</u>	<u>Basic Funding issues</u>	62
<u>3</u>	<u>Calculating contributions for individual Employers</u>	66
<u>4</u>	<u>Funding strategy and links to investment strategy</u>	78
Appendices		
	<u>Appendix A – Regulatory framework</u>	80
	<u>Appendix B – Responsibilities of key parties</u>	84
	<u>Appendix C – Key risks and controls</u>	86
	<u>Appendix D – The calculation of Employer contributions</u>	90
	<u>Appendix E – Actuarial assumptions</u>	94
	<u>Appendix F – Glossary</u>	97

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Brent Pension Fund (“the Fund”), which is administered by the London Borough of Brent, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from 1st April 2017.

1.2 What is the London Borough of Brent Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Brent Fund, in effect the LGPS for the Brent area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

1.3 Why does the Fund need a Funding Strategy Statement?

Employees’ benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees’ contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers’ contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

The FSS is a summary of the Fund’s approach to funding its liabilities, and this includes reference to the Fund’s other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see [Section 4](#))

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member of the London Borough of Brent: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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.

How do I find my way around this document?

In [Section 2](#) there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a [glossary](#) explaining the technical terms occasionally used here.

If you have any other queries please contact Ravinder Jassar [Head of Finance] in the first instance at e-mail address ravinder.jassar@brent.gov.uk or on telephone number 020 8937 1487.

2 Basic Funding issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

- Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See [2.3](#) below, and the table in [3.3 Note \(e\)](#) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in [Appendix D](#). Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers – some employers are able to participate in the LGPS via a resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in [Section 3](#) and [Appendix D](#)).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The **probability of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non ill-health early retirements must be paid by the employer, see [3.6](#).

HYMANS ROBERTSON LLP

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

.

2.5 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see [Appendix D](#), section [D5](#), for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see [3.1](#)). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see [3.3 Note \(b\)](#)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see [Appendix A](#).

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

HYMANS ROBERTSON LLP

Overleaf ([3.3](#)) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities	Academies	Other	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to “gilts basis” - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	Yes - see Note (b)	No	No	No	No
Maximum time horizon – Note (c)	19 years	19 years	19 years	15 years	Future working lifetime of actives	Outstanding contract term
Secondary rate – Note (d)	Monetary	% of payroll	Monetary	Monetary	Monetary	Monetary
Treatment of surplus	Covered by stabilisation arrangement		Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority		Reduce contributions by spreading the surplus over the remaining contract term if less than 4 years, else no reduction	
Probability of achieving target – Note (e)	[66%]	[75%]	[66%]	[75%]	[80%]	[50%]
Phasing of contribution changes	Covered by stabilisation arrangement		3 years	3 years	3 years	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	Note (g)	n/a	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j) .			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j) .		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for Community Admission Bodies and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

Currently the only eligible Fund employer is the London Borough of Brent's Council Pool, although Academies will pay the same rate as the Council for at least the three years beginning 1 April 2017 (see Note (g)).

On the basis of extensive modelling carried out for the 2016 valuation exercise (see [Section 4](#)), the stabilised details for the Council Pool are as follows:

- Notional contribution rate 2017/18 starts 32.5% and rises 1.3% to 33.8% at 2018/19 and rises a further 1.2% to 35% in 2019/20 ;
- Actual contribution rate split between % of pay element and £ lump sum element each year;
- % of pay element = Primary rate for the Council Pool as calculated at 2016 valuation;
- £ lump sum element = amount calculated as balance of notional contribution rate that year, when applied to payroll increased from 2016 in line with valuation assumption (as opposed to actual payroll that year).

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. This will take into account the Council's membership profile, whether stabilisation should continue to apply (and if so, whether this should be extended to other employers), and other relevant factors.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor, typically not to exceed 3 years.

Note (d) (Secondary rate)

The deficit recovery payments for each employer are typically expressed in monetary terms (as opposed to percentage of payroll). This is to avoid the situation where a stagnating or falling payroll results in insufficient deficit recovery payments being made over the three year period.

For certain employers, at the Administering Authority's discretion but currently including all Academies, these payments may instead be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in [Appendix D](#).

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding

position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

- iv. The new academy's initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion;
- v. The new academy's actual contribution rate will be as per the Council rate, but expressed purely as a percentage of pensionable pay. This applies whether or not the theoretical rate is above the Council rate. All other things being equal, this will mean some academies taking longer to pay off their deficit (where the theoretical rate is higher than the Council rate), or paying off the deficit more quickly (where the theoretical rate is below the Council rate).

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also [Note \(i\)](#) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and does not pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a “gilts cessation basis”, which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in [Appendix E](#);
- (c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body’s liabilities and assets to the guarantor, without

needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would spread their payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- smaller CABs (as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service).
- LEA schools generally are also pooled with the Council. However there may be exceptions for specialist or independent schools.
- Academy schools may be pooled within their Multi Academy Trust (if this applies).
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Employers must make these additional contributions as a one off payment to the Fund in the financial year following the award of an early retirement. In exceptional circumstances, the Administering Authority may at its absolute discretion agree to spread the payment over a period not exceeding three years. If this is agreed, interest will be charged using factors provided by the actuary.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see [3.8](#) below).

The cumulative cost of ill health retirements between actuarial valuations will in effect be reflected in the employer's results at the next valuation.

Where a different approach is adopted (eg regularly monitoring ill health experience and requesting contributions between valuations), details will be included in each that employer's Admission Agreement.

3.8 External ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see [3.3](#), [Note \(j\)](#)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.

In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.
- Active members switching employment from one Fund employer to another will result in assets equal to the past service liabilities being reallocated between the employers, i.e. a "fully funded transfer". This means that the deficit at the point of transfer is retained by the ceding employer.

However, in the case of schools converting to academy status (i.e. the members switch from Council employment to the new Academy); the process is instead as per Note (g) to section 3.3 above. This is because the guidance from the Department for Education and the Department for Communities and Local Government anticipates that the past service deficit will be inherited by the new Academy.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see Appendix [E3](#)) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix [A1](#)).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in [Section 3](#) will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;

- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and
- Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach ([see 3.3 Note \(b\)](#)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in [3.3 Note \(b\)](#), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

- *“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view of funding those liabilities.**”*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in February 2017 for comment;
- b) Comments were requested within 10 days;
- c) There was an Employers Forum in March 2017 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and then published.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the Brent website, at www.brent.gov.uk;
- A copy sent by e-mail to each participating employer in the Fund;
- A copy sent to employee/pensioner representatives;

- A summary issued to all Fund members;
- A full copy included in the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles/Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.brent.gov.uk

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- prepare and maintain a FSS and the ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	<p>Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context.</p> <p>Inter-valuation monitoring, as above.</p> <p>Some investment in bonds helps to mitigate this risk.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>

Risk	Summary of Control Mechanisms
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision.

Risk	Summary of Control Mechanisms
	Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The results of the most recent reforms were built into the 2016 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.</p>
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

C5 Governance risks

Risk	Summary of Control Mechanisms
<p>Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.</p>	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p>

Risk	Summary of Control Mechanisms
	<p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>

Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps above are considered when setting contributions (more details are given in [Section 3](#) and [Appendix D](#)):

1. The **funding target** is based on a set of assumptions about the future, eg investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then it's funding target may be set on a more prudent basis, so that it's liabilities are less likely to be spread among other employers after it's cessation of participation;
2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;
3. The required **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see [Appendix E](#). These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see [Section 3](#)).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

- meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)
- within the determined time horizon (see [3.3 Note \(c\)](#) for further details)
- with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The

measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the “basis”. A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund’s standard funding basis is described as the “ongoing basis”, which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see [Note \(a\)](#) to [3.3](#).

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund’s investments. This “discount rate” assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds (“gilts”). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of setting funding targets at the triennial funding valuation at 31 March 2016, and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that the discount rate used to measure the funding position at a given point in time will be 1.6% per annum greater than gilt yields at that time (this is the same as that used at the 2013 valuation). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by
2. 0.8% above the retail prices index (RPI) per annum p.a. thereafter.

This is a change from the previous valuation, which assumed a flat assumption of RPI plus 0.8% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we propose a reduction of 1.0% per annum. This is a larger reduction than at 2013, which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

The combined effect of the above changes from the 2013 valuation approach, is a slight reduction (less than a year) in average life expectancies. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target . The main assumptions will relate to the discount rate , salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a funding target which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the Primary and Secondary rates .
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding target	The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit . It is calculated on a chosen set of actuarial assumptions .
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a

guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.

Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different

public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate	The difference between the employer's actual and Primary contribution rates . In broad terms, this relates to the shortfall of its asset share to its funding target . See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Investment Strategy Statement

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the Brent Pension Fund (“the Fund”), which is administered by Brent Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 (“the Regulations”). The Regulations require administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund; they also stipulate certain key issues which must be covered in the Statement.

The ISS has been prepared by the Pension Fund Sub Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee in February 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement (1st April 2017).

The suitability of particular investments and types of investments

The Fund’s primary objective is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis. The funding position will be reviewed at each actuarial valuation, or more frequently as required.

The Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions are agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Fund has the following funding principles:

- Ensure that sufficient resources are available to meet all benefit as they fall due for payment;
- Recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- Enable employer contributions to be kept as stable as possible and at reasonable cost
- Maximise the returns from investments within reasonable risk parameters.

The Committee has translated its objectives, taking into account the funding principles outlined above, into a suitable long-term strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The investment strategy takes due account of the maturity profile of the Fund (e.g. in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile.
- The level of expected risk.
- Outlook for asset returns.

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate significantly from the target allocation (accepting that, given the nature of some of the underlying investments, it may take the Fund time to move to the long-term target allocation). This is covered in more detail later in this Statement.

Providing a framework for all investment decision making to enable delivery of the above key objective are the Fund's investment beliefs. The Fund's currently held investment beliefs which are reviewed regularly are set out in the Appendix.

Strategic allocation

The Fund's current assets include:

- Equities (UK and overseas)
- Diversified growth
- Government bonds
- Private equity
- Infrastructure
- Property
- Multi asset credit

The Fund is invested in these asset classes either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks when it is deemed appropriate to do so.

The Regulations require the Fund to set out the maximum percentage relative to the total value of all investments that it will invest in particular investments or classes of investment. The Fund's long-term strategic target investment allocation is set out in Table 1 below and includes the associated maximum percentage limits for each asset class associated with the long-term strategic targets. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

The Regulations also require the Fund to have regards to the diversification of its investments. The overall strategic benchmark outlined in Table 1 comprises a mix of different assets which is provides considerable diversification for the Fund.

The strategic balance of investment takes account of the risk/return characteristics of each asset class e.g. the potential for higher long term returns from equity is balanced against an expectation of higher levels of short term volatility from this asset class; and by looking at the strategy as a whole and the interaction of the asset classes the Fund holds.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a strategy not previously known to the Committee is proposed, appropriate advice is sought and training is provided to help the Committee reach an informed decision.

Table 1: Fund allocation

Asset class	Long-Term Target allocation %	Maximum invested %
UK equities	45	60
Overseas equities		
Diversified Growth Funds	15	30
Private Equity	0	10
Total Growth	60	90
Infrastructure	15	30
Property	10	20
Total Income	25	40
Fixed Income	15	25
Total Protection	15	25
Total	100	N/A

Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have removed the previous restrictions that applied to the 2009 Regulations. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

Table 2: Investment Restrictions

Type of investment	Maximum investment by the Fund % of assets
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	15%
5. Total investment in illiquid assets	30%

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The managers of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Risk Measurement and Management

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth oriented assets) to help it achieve its funding objectives. It has a risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Environmental, social and governance (“ESG”) – The risk that ESG related factors (including climate change) reduce the Fund's ability to generate the long-term returns and/or have implications on the Fund's liabilities.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a long-term strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Fund is a long-term investor and therefore, the Committee seeks to act as a responsible asset owner. Further details of the Fund's approach to managing ESG risks are set out later in this document.

The Committee seeks to mitigate systemic risk through holding a diversified portfolio, but appreciate it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. Also the risk that, due to the illiquid nature of the asset classes, the Fund cannot implement its agreed investment strategy on a timely basis.
- Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has rebalancing arrangements to ensure, where possible, the Fund’s “actual allocation” does not deviate substantially from its target.

The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk.

By investing across a range of assets, including liquid quoted equities and bonds the Committee has recognised the need for access to liquidity in the short term. The Fund also holds liquid diversifying assets over the period while the agreed exposure to less liquid alternatives are being built up.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund’s currency risk during their risk analysis.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund’s assets managed on a passive basis. The Committee assess the Fund’s managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. The Fund has regular correspondence with the London CIV regarding their managers and their approach to monitoring and assessing managers.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist. Further details of the Fund's approach to pooling and relationship with the London CIV is provided in the section below.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement (Appendix C).

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London Collective Investment Vehicle (CIV). The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to government

Assets to be invested in the pool

The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 to government and is reviewed on a regular basis. The key criteria for assessment of Pool solutions will be as follows:

- 1 The pool enables access to an appropriate solution that is consistent with the beliefs, objectives and benchmark criteria set by the Fund and/or
- 2 There is a benefit to the Fund in investing in the solution offered by the pool.

At the time of preparing this statement the Fund has already invested the following assets via the London CIV (see table below).

Asset class	Manager
Diversified Growth Fund	Baillie Gifford
Diversified Growth Fund	Ruffer
Multi-asset Credit	CQS
Emerging Markets equities	Janus Henderson

In addition, the Fund has exposure to LGIM and BlackRock both of whom are LGPS specific fee scales in place and have benefits of scale due to being pooled with the managers' other clients assets.

In time, as set out in the indicative timetable for investing through the pool and in line with one of the Committee's stated beliefs, the intention is for all assets (subject to due diligence) to be transitioned into the LCIV. The exceptions to this are the Fund's passive assets and the Fund's existing investments in closed ended funds (which will run-off over time).

Structure and governance of the London CIV

The July 2016 submission to government of the London CIV pool provided a statement addressing the structure and governance of the pool, the mechanisms by which the Fund can hold the pool to account and the services that will be shared or jointly procured. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS (Further information is provided in the London CIV's website (<https://londonciv.org.uk/>))

All participants of the CIV are both shareholders and investors in the London CIV company and the governance structure enables both formal and informal scrutiny.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Committee recognise that ESG factors can influence long term investment performance and the Fund's ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee wishes to be an active shareholder and exercise its voting rights to promote and support good corporate governance principles, which in turn will feed through into good performance.

In practice, the Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on at least an annual basis.

Stewardship

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

The Committee is willing to consider potential investor collaboration opportunities if such opportunities offer the scope to improve engagement with companies and help increase the potential for long-term sustainable returns to be achieved.

Appendix – Investment Beliefs

Clear and well defined objectives are essential to achieve future success - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

Long term investing provides opportunities for enhancing returns - As a long-term investor it is important that the Fund acts as an asset owner. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

Equities are expected to generate superior long term returns - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However the Committee also recognise that equities can be highly volatile over the short-term.

Diversification reduces the overall volatility of the Fund's asset returns - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

Passive management has a role to play in the Fund's structure - the Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

Active management can add value but is not guaranteed - the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

Private markets can offer opportunities - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.

Choice of benchmark index matters - the Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

Rebalancing policies are important – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

Fees and transaction costs matter -. The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

Governance "budget" matters – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

The London CIV is the Fund's preferred approach to implementation – the Committee recognises the potential benefits of LGPS pooling. Their preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV's investment offering.

Risk Framework

Brent Pension Fund constantly monitors risk at all levels. In investment, risk is defined as the permanent loss of capital. Risks are assessed at market level, and also at the fund manager level. Fund managers may employ a range of measures to mitigate risk, wherever possible. This may range from a process which avoids overpaying for an asset, or fund manager's risk committees and investment committees, which meet regularly to review and challenge the fund manager's approach and assumptions. Fund managers must contend with the potential mispricing of risk, caused by the hunger for yield.

Brent Pension Fund monitors the fund managers at least every quarter, when they report their performance. At this stage, it is not just the net returns which are studied, but also the attribution, i.e. the way in which the returns were achieved. The returns should be measured against the expected returns given prevailing market conditions and the investment process, in order to ensure that the fund manager is not tending towards "investment drift" or "style drift". Particular attention is paid to the actions taken by funds when market conditions change.

Pension Fund Officers ensure that all tasks carried out are compliant with best practise as detailed in the Statement of Investment Principles. This is in order to mitigate any governance risk (such as acting *ultra vires*).

Pension Fund Officers document meetings with fund managers, and report back to the Pension Fund Sub-Committee on a quarterly basis.

The key risks and controls in place to mitigate investment risks are included in the Funding Strategy Statement.

Third party risks such as payments of contributions are robustly monitored, as laid out in the Pensions Administration Strategy.

Assurance over third party operations is sought by requesting relevant documentation, such as AAF 01/06 assurance reports on the internal controls of these service organisations.

An on-going framework of inspection and review by the Fund's internal auditors (PwC) and external auditors (Grant Thornton) supports and assists with the management of risks.

PENSION ADMINISTRATION STRATEGY (December 2018)

1. Introduction

The Local Pensions Partnership (LPP) started as the pension administrators for the Brent Pension Fund on 1 October 2018. The LPP perform their pension administration in a different way to the previous pension administrators and the PAS has been revised to take those changes into account.

In addition, the Pension Administration Strategy has been updated to take account of changes to the LGPS regulations and the guidance from The Pensions Regulator.

This revised Pension Administration Strategy applies to all employers, academies, and maintained schools (referred to as here as scheme employers or employers).

The aim of the revised Pension Administration Strategy is to ensure that the London Borough of Brent Pension Fund (“the Fund”), “the Administering Authority” (The London Borough of Brent), and employers work together to ensure that accurate data is submitted in a timely manner and member events are notified within the service level agreement set out in this document. The Fund’s strategy is to work with employers to achieve this and to assist and support employers to do so.

2. Pension Administration Strategy Policy Statement

2.1 Pensions Administration Strategy Statement

The statement sets out the aims and objectives of the Pensions Administration Strategy and gives a summary of the major elements which make up the strategy.

2.2 Legislative context

- Local Government Pension Scheme (Benefits, Membership and Contributions)
- Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and savings) Regulations 2013.

2.3 Aims

In making this strategy the Funds aims are:

- To clarify the roles and responsibilities of the “Fund” and scheme employers in administering the Local Government Pension Scheme
- To ensure the services provided by the “Fund” are equitable and transparent
- To assist employers in the effective provision of necessary data.

2.4 Objectives

The Pension Administration Strategy will meet those objectives by introducing a service level agreement between the “Fund” and scheme employers.

2.5 Documents which make up the strategy

Together with this statement the strategy is set out in the following documents:

Pensions Administration Strategy - Service Level Agreement

The service level agreement sets out the roles and responsibilities of the “Fund” and scheme employers.

Pensions Administration Strategy - Employer guide

The guide sets out the processes and procedures employers should follow in order to comply with their legal responsibilities under the LGPS regulations.

3. Service Level Agreement

Pensions Administration Strategy - Service level agreement

3.1 Employer Functions

The following functions have been designated employer functions. This means that they are outside the responsibilities of the administering authority. The “Fund” provides these services for a fee (staffing charges applied by the day or per hour) and the amounts are set out in Annex 1.

There are no changes to these functions as a result of the revised strategy.

Task	Description
Redundancy and Severance	Calculation and payment of redundancy and/or severance payments
FRS 17	Provision of data required for FRS17 calculations
Cessation and interim valuation data	Provision of data required for interim and/or cessation valuations
Miscellaneous non LGPS	Any requests for advice or work which are outside of the requirements of an administering authority as defined by the LGPS regulations
Admission Agreements	Setting up and amendment of admission agreements
3 rd Party activity	Recharges will apply to any work for which a third party is required e.g lawyer or actuary, and the cost will be incurred by the employer

3.2 Actuarial Functions

The following functions have been designated actuarial functions that employers will require input from both the LPP and the Fund's Actuary Hymans Robertson. This means that they are functions which if required, must be provided by the LPP and/or Hymans Robertson.

As above, there are no changes to these functions as a result of the revised strategy.

Task	Description
Legal work & non-standard actuarial work	Any work in relation to this will require input from both the LPP and the Funds Actuary
Cessation valuations	Any work in relation to this will require input from both the LPP and the Funds Actuary
Employer actuarial valuations	Any work in relation to this will require input from both the LPP and the Funds Actuary
Academy conversion	Any work in relation to this will require input from both the LPP and the Funds Actuary
Valuation of unfunded liabilities	Any work in relation to this will require input from both the LPP and the Funds Actuary

3.3 Administrating Authority Functions

The following functions have been designated administrating authority functions since they relate directly to the core purpose of administering the scheme.

Also shown are the timescales we will complete the task within (from receipt of all information) and the on time target for each task.

Case Type/Task	Limitation	Timescale (working days)	Target (% within timescale)
Admissions	No	10	95%
Transfers In	No	10	95%

Transfer Out	No	15	95%
Estimates employee	No	10	95%
Retirements	No	5	95%
Deferred Benefits	No	10	95%
Refunds	No	10	95%
Deaths	No	5	95%
Correspondence	No	5	95%
PR update	No	20	95%
Queries to employer	No	15	95%

3.4 Employer Responsibilities

Employers will be responsible for the following functions/tasks to be performed/supplied in the manner and timescale set out below.

An employer guide can be found at Annex 2.

<p>Payments of monies due</p>	<ul style="list-style-type: none"> • Monthly contributions – on time and the correct amount • Payroll Recharge – on time, and the correct amount • Capital Sums – on time, and the correct amount • Single payments of contributions
<p>End of year error rates</p> <p>Examples of end of year errors</p> <ul style="list-style-type: none"> • A missing joiner Form • A missing leaver Form • A missing change of hours • A missing notification of absence • Return from absence • Missing additional contributions 	<p>Respond to errors within 10 working days of notification</p> <p>If you are unable to respond in ten working days then inform the LPP of the likely time frame that you can respond in and advise Brent Pensions of the delay</p>

<ul style="list-style-type: none"> Significantly low/high pensionable remuneration compared to the previous year with no explanation as to the reason 	
<p>Submission of year end return</p>	<p>You must submit your year end return by 30th April each year</p> <p>If you are unable to submit your yearend return then inform the LPP of the likely time frame that you can provide it and the reason why and advise Brent Pensions of the delay</p>
<p>Response to other queries raised (e.g. by the LPP Pensions Services or Employer Services teams)</p> <p>There are times where the LPP may need to confirm with you that a member's record is correct before issuing them with a benefit calculation. It is these types of queries that we are referring to</p>	<p>2 weeks from notification by the LPP Pensions Operations or Data Management teams</p> <p>If unable to respond in 2 weeks then inform the LPP of the likely timeframe that you can respond in and advise Brent Pensions of the delay</p>

On-line access Employer LPP portal “YourFund”	Use of online Forms for all relevant tasks
Submission of joiners/leavers	<ul style="list-style-type: none"> • Notification of joiners within 1 month of joining the scheme • Notification of leavers within 1 month of leaving the scheme • Notification of retirement within 1 month prior to the last day of service
Notification of other changes during employment	<ul style="list-style-type: none"> • Relevant changes e.g. change of hours, absence notification online within 1 month of the event
Correct admission of members into the Fund	You must ensure that you are correctly admitting members into the “Fund”
Up to date discretions policies in place	Discretionary policies to be in place and up to date
Customer Relationship Management contacts	<ul style="list-style-type: none"> • LPP notified of contact change or new contact within 1 month via the employers contact form

4. Staff Charging Schedule

The Fund’s staffing charges for work over and above the responsibilities of the administering authority as at December 2018.

VAT is charged on all applicable items.

Staffing level	Charge per day excluding VAT	Charge per hour excluding VAT
Admin Staff	£382.00	£53.00
Team Leader	£534.00	£78.00
Specialist	£534.00	£78.00
Manager	£727.00	£103.00
Senior Manager	£998.00	£142.00
Director	£1,470.00	£210.00

5. Pensions Administration Strategy – Charging

5.1 Why we need to charge

Whilst the vast majority of employers do provide accurate scheme data on time and process member pension events such as joiners and leavers, there remains a small cohort of employers who have not done so. The Pension Regulator is insistent that all employers comply with their legal duties and for the “Fund” to have in place a mechanism to impose a levy on employers who fail to do this. Following The Pension Regulator’s guidance the “Fund” has incorporated levies for non-compliance of these duties.

5.2 Circumstances on when we would charge

The “Fund” has not set out to arbitrarily impose levies on employers for every minor infraction an employer makes in regards to providing scheme data and processing member’s events. The aim is for all employers to work together with the “Fund” and our pension administrator to comply with their legal duties. The service level agreement sets out the timeframes on how long particular functions should be completed by. The “Fund” recognises that there are times when this will not be met or be possible and it is not the Funds intention to automatically levy an employer for this, however employers are expected to remedy matters as soon as is practicable. Should it be the case that an employer persistently takes no regard of the Funds request to comply with their legal duties, and does not work with the Fund to overcome these shortcomings, then imposing a Levy on an employer would be considered (please note that it is the Funds aim is to actively engage with employers to provide them with support to bring them into line with meeting their legal duties before imposing a levy).

5.3 Monitoring after a Levy has been made on an employer

Should it be the case that the “Fund” has imposed a levy on an employer, then that employer will be encouraged and supported to meet its legal duties. Their performance will be monitored and if they are complying with and continue to comply with their legal duties, then consideration will be made by the “Fund” to refund the Levy imposed on them by the “Fund”.

6. Fees – Annex 1

As a last resort and after trying to assist the employer with support or training, the “Fund” reserves the right to levy a fee on an employer whose performance consistently falls short of the standards set out in this document.

Activities	Fees excluding VAT
Late payment of monthly contributions - electronically after 22 th Calendar month following deduction and 19 th for cheques (Required by law)	£60 plus interest calculated on a daily basis
Monthly Contributions – non provision of the correct schedule of payments in stipulated Format and accompanying the respective contribution payment	£60 per occasion
Change Notification – failure to notify administrators of a change to a members working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absent without permission) – within 1 month of the change of circumstances	£60 per occasion
Year End Data – failure to provide year end data by 30th April following the year end	£235 initial fee then £95 for every month the information remains outstanding
Year End Data Queries – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale	£60 initial fee then £25 for every month the information remains outstanding
New Starter - failure to notify the administrator of a new starter within 1 month of joining the scheme	£60 initial fee then £25 for every month the information remains outstanding
Leaver – failure to notify the administrator of any leaver within 1 month of leaving the scheme	£60 initial fee then £25 for every month the information remains outstanding
Retirees – failure to notify the administrators when a scheme member is due to retire within 1 month before the retirement date	£60 initial fee then £25 for every month the information remains outstanding

<p>Late payment of pension benefits – if due to an employer’s failure to notify the administrator of a scheme members retirement, interest becomes payable on any lump sum paid. The administrator will recharge the total interest paid to the employer</p>	<p>Interest charged in accordance with regulation 44 of the LGPS administration regulations</p> <p>Charged at Bank of England Base rate plus 1%</p>
<p>Change of employer contact details - The “Fund” not notified of contact change or new contact within 1 month of alteration</p>	<p>£60 per occasion</p>
<p>Submission of pension contribution data – The “Fund” not informed by the employer of not having submitted pension contribution data or contributions within the timelines set out in this agreement</p>	<p>£60 per occasion</p>

Appendix 1 - Regulation Extract

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

Pension administration strategy

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("its pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are-

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Payment by Scheme employers to administering authorities

69.—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

- (a) all amounts received from time to time from employees under regulations 9 to 14 and 16 (contributions);
- (b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;
- (c) a contribution towards the cost of the administration of the fund; and
- (d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995(41); and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)(42).

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing-

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in sub-paragraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating-

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Background

- (A) The Administering Authority is an administering authority. It administers and maintains the Fund in accordance with the Regulations.
- (B) The Employer is a transferee admission body listed in Schedule 2 of the Administration Regulations.
- (C) In accordance with Regulation 59 of the Administration Regulations, the Administering Authority has prepared the Pension Administration Strategy Statement setting out amongst other things the Service Level Agreement.
- (D) In preparing the Pension Administration Strategy Statement, the Administering Authority consulted the employing authorities in the Fund (including the Employer), the Pensions Board, and such other persons it considered appropriate.

The Administering Authority published the Pension Administration Strategy Statement and sent a copy of it to each of the employing authorities in the Fund (including the Employer) and to the Secretary of State.

- (E) The Administering Authority will keep the Pension Administration Strategy Statement (including the Service Level Agreement) under review and will make such revisions as are appropriate following any material change in its policies in relation to any of the matters contained in the Pension Administration Strategy Statement.
- (F) The Administering Authority and the Employer have agreed to enter into this Agreement to document their agreement to comply with and be bound by the terms of the Service Level Agreement.

Now it is agreed as follows:

1. Interpretation

1.1 The following expressions have the following meanings:

“1997 Regulations”	the Local Government Pension Scheme Regulations 1997 (to the extent applicable by reason of the Transitional Regulations)
“Administration Regulations”	the Local Government Pension Scheme (Administration) Regulations 2008
“Benefit Regulations”	the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
“Core Scheme Functions”	the functions identified in the Service Level Agreement as being core Scheme functions
“Fund”	the Pension Fund

“Pension Administration Strategy Statement”	the Administering Authority’s statement prepared in accordance with Regulation 59 of the Administration Regulations as revised from time to time in accordance with that Regulation
“Regulations”	the Administration Regulations, the Benefit Regulations, the Transitional Regulations and the 1997 Regulations
“Scheme”	the Local Government Pension Scheme established by the Regulations made by the Secretary of State under sections 7 and 12 of the Superannuation Act 1972
“Service Level Agreement”	the section of the Pensions Administration Strategy Statement setting out the levels of performance which the Administering Authority and its employing authorities are expected to achieve in carrying out their Scheme functions including performance targets. The Service Level agreement may be revised from time to time as part of the Pensions Administration Strategy Statement. A copy of the Service Level Agreement current as at the date of this Agreement is included in the documentation
“Transitional Regulations”	the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 & 2013

1.2 Expressions have the same meaning as in the Regulations, except where the context otherwise requires.

1.3 Any reference in the Agreement to any law or piece of legislation shall include any subsequent amendment to it and any ancillary legislation made under it.

2. The Service Level Agreement

2.1 With effect from the date of this Agreement, the Administering Authority and the Employer agree to use their best endeavours to comply with and be bound by the terms of the Service Level Agreement.

2.2 In consideration of this Agreement the Administering Authority will charge the Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.

2.3 If in the opinion of the Administering Authority the Employer has not complied with the terms of the Service Level Agreement the Administering Authority may charge the Employer a higher contribution towards the cost of the administration of the Fund.

2.4 When considering whether to charge the Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Administering Authority shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.

2.5 Clause 2.3 shall not affect the Administering Authority's ability under Regulation 70 of the Administration Regulations to give written notice to the Employer where it has incurred additional costs which should be recovered from the Employer because of the Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.

2.6 The Employer acknowledges that the Service Level Agreement may be revised from time to time by the Administering Authority in accordance with Regulation 59 of the Administration Regulations and that the Employer will comply with and be bound by the terms of the revised Service Level Agreement.

3. Other Charges

3.1 The Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.

3.2 Where the Employer requests that the Administering Authority provides services beyond these functions the Administering Authority reserves the right to charge the Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time with the Administering Authority and the Employer.

4. Notices

Any notices under this Agreement shall be in writing and shall be served by sending the same by first class post, fax, facsimile or by hand or leaving the same at the headquarter address of the Employer or the headquarter address of the Administering Authority.

5. Waiver

Failure or neglect by the Administering Authority to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's rights nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's rights to take subsequent action.

6. More than one Counterpart

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

7. Laws

This Agreement will be governed by and interpreted in accordance with the laws of England and Wales.

Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

Appendix 2 – Employer Guide

Employer Guide

What the “Fund” and the LPP needs from you to administer your employees’ pensions, with accuracy and efficiency.

Clean and accurate data

This means that we need to know details of all changes to your employees regarding their pension.

This includes:

- Joining the scheme
- Changing their working hours and/or working weeks
- Any unpaid leave (i.e. authorised absences, whether maternity/paternity/adoption leave, or ordinary unpaid leave)
- Any unauthorised absences (these are automatically entered as breaks in service as the member is not allowed to repay pension contributions for that period)
- Any strike periods
- Any reductions in pay
- Leaving the scheme (whether opting out, normal leaver or retiring).

The above changes can be notified by completing the relevant online Form.

We also need accurate data for the end of year returns. This enables us to identify any missing data in our records quickly, thus enabling accurate valuation of the fund and thereby keeping employer contribution rates down.

Brief Summaries of Actions needed

Joining the scheme

The online Joining Form must be completed with the following information:

- date from which the member first had contributions deducted
- the contribution rate
- the weekly hours the member works, and, if appropriate, the weeks per year that they work
- what pensionable pay the member receives, and, if appropriate, the full-time equivalent pensionable pay
- confirmation that the member has a contract of employment that lasts at least three months.

Change of hours

The online Change of Hours Form must be completed when you need to inform the LPP that a member has changed their weekly working hours, their working weeks per year, or both. We will need to know the hours (and/or weeks) they are changing to, and also the hours (and/or weeks) that they have changed from to enable us to check that our records are completely up to date.

Sick Leave

The LPP does not need to be informed if a member of the scheme is placed on reduced pay, or no pay due to sick leave.

Unauthorised Absence

It is not common for an employee to have a leave of absence that is not authorised by their employer. However, if a member does have such a period, the LPP need to be informed as this period will not count towards the calculation of their benefits and they will not have the opportunity to repay the contributions for that period. Therefore, please complete the Unauthorised Absence online Form if such a situation occurs.

Unpaid leave (Including maternity/paternity/adoption leave)

Any period of ordinary unpaid leave (or leave on reduced pay) that lasts less than 31 days does not need to be notified to LPP, although the member must have contributions for that period deducted from his pay on his return, and employer contributions must also be paid.

If the ordinary unpaid leave (or leave on reduced pay) lasts 31 days or more, then the LPP must be informed. The online Notification of Absence and Return from Absence Forms must be completed.

A strike period must be treated differently to ordinary unpaid leave, but it is not classified as unauthorised absence. The online Notification of Absence and Return from Absence Forms must be completed.

A member who goes on parental leaves must continue to have contributions deducted, but on the pay that they are actually receiving (including any statutory entitlement), not the pay they would have received, but for being on leave.

Once the member goes onto unpaid parental leave, the online Notification of Absence Form must be completed.

The LPP do not need to be informed if a member has a period of leave to enable them to perform jury service, but the contributions for that period must be paid by both employer and employee and must be based upon the pay that the member would have received if not performing jury service.

Leaving the scheme

It is essential that the LPP receives accurate, timely information regarding a member's pay when they cease to contribute to the pension scheme. When a member leaves the scheme, please complete the online Leaver Form. The appropriate online Ill Health Declaration Form, must also be completed if the member is retiring on the grounds of ill-health.

A member who opts-out of the scheme with less than three months membership must have their pension contributions refunded to them and will be treated as never having been in the scheme. In such cases, please complete the online Leaver Form.

If a member leaves your employment with less than three months membership, their contributions will be refunded to them. Please complete the online Leaver Form.

Monthly remittance/end of year returns

Each month a schedule of contributions paid must be completed with details of:

- Total pensionable remuneration against which contributions calculated
- The total employees' contributions
- The total employer's contributions
- Any cash payments that may be due from the employer
- The payment method and date.

The completed schedule of contributions paid and the contributions must be received by the Fund within 21 days of the end of the month, or 19 days for cheques, within which they were deducted from the employees' pay.

At the end of each year, a full submission of contributions must be submitted by each employer.

Please note that late submission of end of year returns will result in delayed annual benefit statements being sent to your employees, and could result in the Fund being incorrectly valued, leading to an increase in your employer contribution rate.

Using online Forms

To fully co-operate with the terms of the Pension Administration Strategy, online Forms must be used. To enable you to do this, a member of staff must be nominated to be your "Site Administrator" who will be able to/responsible for:

- Set up new users and determine their access levels
- Reset usernames and password
- Unlock locked accounts
- Disable user accounts
- Keeping your organisation's contact details up to date.

In this way, you can retain control over who has access to the site and is able to input the information required. The Site Administrator will also be our first contact for any news on updates to the website.

Nothing in this guide can override the information given in the Employer's Guide, the provisions of the Pension Regulations, or related legislation. The guide was up-to-date at the time of publication in October 2018. It is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over a member's pension benefits, the appropriate legislation will prevail as this guide does not confer any contractual or statutory rights and is provided for information purposes only. The Fund will not be held responsible for any loss, damage or inconvenience caused as a result of any inaccuracy or error.

Online Forms

Online Forms must be completed and the details immediately forwarded to the LPP to enter onto the relevant LPP systems. Any errors or inconsistencies in the data can be quickly identified and can be remedied.

Glossary

Active Management

A style of investment management which seeks to provide outperformance of a relevant benchmark through either asset allocation, market timing or stock selection (or a combination of these). Directly contrasted with passive management that seeks to replicate the performance of a selected benchmark.

Actuarial assumptions

The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.

Actuarial Valuation

A review of the Pension Fund by a qualified Actuary, which takes place every three years to ensure that employers' contributions are sufficient to maintain the solvency of the Fund in the long term.

Actuary

An independent qualified consultant who carries out the Actuarial Valuation and advises on new investment strategies.

Administering Authority

A local authority with statutory responsibility for running a pension fund under LGPS regulations, in effect the Fund's "trustees". Within the geographical boundary of the London Borough of Brent this is Brent Council.

Admitted Bodies

An organisation, which, under the Pension Scheme Regulations, is able to apply to the Administering Authority to join the Scheme (e.g., a contractor providing services to the Council or another scheduled body). Upon acceptance, an Admission Agreement is prepared which sets out the employer's obligations and admits the organisation to voluntarily participate in the Fund and allowing its employees to join.

Alternative Investments

Less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Asset Allocation / Asset Mix

The apportionment of the Fund's assets between asset classes and/or markets. Asset allocation may be either strategic, i.e., long term, or Tactical, i.e., short term, aiming to take advantage of relative market movements.

Auditor

An independent qualified accountant who is required to verify and agree the Pension Fund Accounts and issue an opinion on their accuracy.

AVCs

Additional voluntary contributions – paid by a contributor who decides to supplement his or her pension by paying extra contributions to the scheme's AVC providers (Clerical Medical and Equitable Life).

Benchmark

A “notional” fund or model portfolio which is developed to provide a standard against which a manager’s performance is measured, e.g., for a global equity fund the benchmark against which it will be measured could be made up 70%/30% by overseas equities/UK equities. A target return is generally expressed as some margin over the benchmark.

Bond

A certificate of debt, paying a fixed rate of interest for a defined period of time, issued by companies, governments or government agencies.

Bulk Transfer

A transfer of a group of members agreed by and taking place between two pension schemes.

Cessation Valuation

A calculation carried out by the Actuary when an employer leaves the Fund, which may result in a final deficit payment becoming due to the Fund.

Common contribution rate

The Fund-wide future service rate plus past service adjustment. It should be noted that this will differ from the actual contributions payable by individual employers.

Commutation

The conversion of an annual pension entitlement into a lump sum on retirement.

Contingent Liability

A possible loss, subject to confirmation by an event after the Balance Sheet date, where the outcome is uncertain in terms of cost.

Covenant

The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Deficit

The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Discount rate

The annual rate at which future assumed cash flows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate.

Dividends

Income to the Fund on its holdings of UK and overseas shares.

Emerging Markets

The financial markets of developing economies.

Equities

Shares in UK and overseas companies that can be traded on public markets.

Final Pay

This is the figure used to calculate most of a member's pension benefits and is normally their pay in the last year before they retire, or one of the previous two years' pay if that amount is higher. For a part-time employee, the figure used is normally the pay they would have received had they worked whole time.

Fixed Interest Securities

Investments in stocks mainly issued by governments, which guarantee a fixed rate of interest.

FTSE

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

Fund Manager

A firm of professionals appointed by the Pension Fund Sub-Committee to carry out day to day investment decisions for the Fund within the terms of their Investment Management Agreement.

Funding Level

The ratio of assets value to liabilities value.

Funding Target

The amount of assets which the Fund needs to hold at any point in time to meet all benefits promised.

Future service rate

The actuarially calculated cost of each year's build-up of pension by the current active members, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial assumptions.

Gilts

Fixed-interest bonds issued by the British government, i.e., a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency. They are the equivalent of U.S. Treasury securities.

Global Custodian

A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

Guarantor

A body which guarantees to pay for an Admitted Body's liabilities in case of default. For any new Admitted Body wishing to join the Fund, the Administering Authority will require a Guarantor. The presence of a Guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its Guarantor's.

Hedge Fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Hedging

A strategy which aims to eliminate a risk in an investment transaction (both upside and downside potential). Often used in the context of overseas investments to eliminate the impact of currency movements.

Income Yield

Annual income on an investment divided by its price and expressed as a percentage.

Index

A measure of the value of a stock market based on a representative sample of stocks. An index is often used as a benchmark for the performance of a group of shares or bonds.

Index-Linked Securities

Investments which generate returns in line with an index.

Investment Adviser

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals.

Letting employer

An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS

Local Government Pension Scheme – a nationwide scheme for employees working in local government or working for other employers participating in the scheme. Government Regulations dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g., regarding investment strategy, employer contributions and choice of advisers.

Liabilities

The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

LIBOR

London Inter Bank Offer Rate – the interest rate that banks charge each other in the short-term international money market. It is often used as a benchmark to set other interest rates or to measure returns on investments.

Mandate

A set of instructions given to the fund manager by the client as to how a fund is to be managed (e.g., targets for performance against a benchmark may be set or the manager may be prohibited from investing in certain stocks or sectors).

Market Value

The "on paper" value of a security at a specific point in time. It is calculated by multiplying the number of shares held by market price of that share in sterling terms.

Maturity

A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members

The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Orphan Liabilities

Residual liabilities of employers from whom no further funding can be obtained.

Outperformance / underperformance

The difference in returns gained by a particular fund against the "average" fund or an index over a specified time period, i.e., a target for a fund may be outperformance of a given benchmark over a three-year period.

Past service adjustment

The part of the employer's annual contribution which relates to past service deficit repair.

Performance

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period – either in absolute terms or as measured against the "average" fund of a particular benchmark.

Pooled Investment Fund

A collective investment scheme that works by pooling money from different individual investors.

Pooling

Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Portfolio

Term used to describe all investments held.

Private Equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e., not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e., current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.

Rates and Adjustments Certificate

A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Recovery Period

Timescale allowed over which surpluses or deficiencies to the Fund can be eliminated.

Regulations

The Scheme is governed by Regulation approved by Parliament. Necessary amendments are made to these Regulations by means of Statutory Instruments.

Risk

Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more “stable” investments before investors will buy them.

Scheduled Bodies

These are organisations as listed in the Local Government Pension Scheme Regulations 1997 (Schedule 2) who must be offered membership of their local LGPS Fund as of right. These include Councils, colleges, universities, academies, police and fire authorities, etc., other than employees who have entitlement to a different public sector pension scheme (e.g., teachers, police and fire officers, university lecturers).

Securities

Investment in company shares, fixed interest or index-linked stocks.

Solvency

When the Fund’s assets are greater than or equal to 100% of the Funding Target, which is the liabilities value.

Stabilisation

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Statement of Investment Principles

Requirement, arising from the Pensions Act 1995, that all occupational pension plan trustees must prepare and maintain a written Statement of Investment Principles outlining policy on various investment matters (e.g., risk, balance between real and monetary assets, realisability of assets, etc.).

Theoretical contribution rate

The employer’s contribution rate, including both future service rate and past service adjustment, which would be calculated on the standard actuarial basis, before any allowance for stabilisation or other agreed adjustment.

Transfer Value

Capital value transferred to or from a scheme in respect of a contributor’s previous periods of pensionable employment.

Unit Trust

A method which allows investors' money to be pooled and used by fund managers to buy a variety of securities.

Valuation

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Yield Curve

A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates. For bonds, it typically compares the two- or five-year Treasury with the 30-year Treasury.