



MINUTES OF THE PENSION BOARD

Tuesday 24 July 2018 at 6.00 pm

PRESENT: Mr Ewart (Chair), Councillor Perrin, Stewart, Dawson and Steer

1. **Apologies for absence**

Received from Councillors.....

2. **Declarations of interests**

Mr David Ewart declared that he was a member of CIPFA.

3. **Minutes of the previous meeting - 12 March 2018**

The minutes of the last meeting held on 12 March were approved as an accurate record.

4. **Matters arising**

None.

5. **Deputations**

None.

6. **Pensions Board Annual Report**

Members received an annual report from the Chair that provided a summary of the Board's activities for the municipal year 2016/17. The report presented details of the Board members, training, the programme of work and highlighted issues of major concern that the Board wished to draw to the Council's attention.

Mr David Ewart (Chair) reiterated the Board's continued concern with the Brent Pension Fund's level of funding, which was still one of the lowest in Local Government. The Board however, noted the relatively good current performance of the fund's investments, and remained re-assured by the Council's commitment to bring the level of funding back to full funding over the longer term, as shown by the contribution rates agreed for the coming period. He then referenced the poor performance of the current contractor, in particular, its failure to issue the required Annual Benefit Statements by the deadline of 31st August 2017, resulting in the Council having to self-report to the Pensions Regulator for a second year running. The Board noted with concern that work undertaken to resolve these issues revealed underlying problems with member records.

Another matter concerning the Board was the requirement of the Pensions Regulator about breaches of the Statutory Regulations relating to the schemes record keeping. The Board was concerned that the Council had to re-submit, a much improved, Record Keeping Improvement plan required by the Pensions Regulator. The Board was however, encouraged by the work being undertaken to tackle the issue of record keeping and emphasised the need for continuous careful monitoring.

The Board was very pleased with the progress in the appointment of the pension service administration provider (Local Pensions Partnership (LPP)) and noted that the appointment was not made solely on cost grounds. The Board was also pleased that a new Local Government Pensions administration system (Aquila Heywood) had been obtained and that the Implementation plan which was on schedule, was being monitored. The Chair stated that although good progress appeared to have been made, the importance of careful monitoring of the change-over and working with new provider to gain the maximum benefit from this change could not be over emphasised.

Although the Board was concerned about these issues, they were to some degree, reassured that the Council was, as a matter of urgency, taking steps to address those matters, with a new pension service administration provider appointed and additional staffing resources committed over the long term to focus on pensions administration.

He outlined the Board's work plan and thanked members and officers for their input.

RESOLVED:

That the annual report from the Chair of Pension Board be noted.

7. Pensions Administration - monitoring and contract arrangements

This report updated the Pensions Board on the performance of the external contractor (Capita), responsible for the delivery of the pension's administration services, including governance and record keeping. The report also introduced key documentation that would significantly improve governance of the scheme.

Ravinder Jassar (Head of Finance) stated that as previously reported to the Pensions Board, the scheme administrator did not send out 100% of annual benefit statements (ABS) by the statutory deadline of 31 August for both the 2015/16 and 2016/17 ABS roll out. As a result of the breach, the scheme administrator had had to report itself to The Pensions Regulator for two consecutive years. He explained that the root cause of some of the underlying data issues was information flow from payroll providers for schools and other employers. In view of the above challenging issues, the Council had agreed a number of actions to help prevent these issues from re-occurring. He updated members that as at 14 May 2018 (last formal update from Capita) all ABS for 2016/17 had been issued to those that were eligible and that for the 2017/18 ABS roll out Capita had received all end of year submissions from employers and were working to resolve any outstanding queries with those relevant employers.

The Head of Finance explained the significance of Record Keeping Plan (RKP) document and having provided key updates to it continued that as a result of the RKP, significant progress had been made in terms of the quality of member data, governance and effectiveness of the Pensions Board's scrutiny role. He reported on the scheme manager's regular meetings with The Pensions Regulator (TPR) and drew members' attention to appendix two to the report that set out key metrics and detailed all of the individual activities and actions taken with a view to having a robust governance arrangements in place and compliance with relevant regulations and guidance in relation to data management/quality. He advised that as part of the scheme's robust governance arrangements (such as a Pensions Administration Strategy, Risk Management Strategy and Record Keeping Plan) the Scheme manager was also proposing that a policy be put in place setting out how breaches of the law could be identified, recorded and reported. The policy, attached at Appendix four, set out further details of the decision processes involved in determining materiality and reporting arrangements.

In welcoming the report as a significant step in the right direction to address the issues highlighted in the report, members requested further information on the TPR's code of practice. Brian Aspinwall (Interim Pensions Analyst) was requested to circulate the code.

RESOLVED:

- (i) That the progress report be noted;
- (ii) that the Risk Management Strategy and Risk Register as set out in Appendix three to the report be agreed;
- (iii) that the breaches policy as set out in Appendix four to the report be agreed;
- (iv) that the high level principles that would feed into the draft Pensions Administration Strategy as set out in section eight of the report be agreed.

8. **Progress on Transition to LLP**

Members considered a report that provided an update to the Pensions Board on the transition of the Pension Administration contract from the current supplier, Capita, to the new supplier, Local Pensions Partnership (LPP) and a summary of the significant stages of the transition plan and actions required in the run up to the contract handover to LPP.

Ravinder Jassar (Head of Finance) informed the Board that the implementation phase was still ongoing with a view to ensuring LPP's successful transition for hand over in October 2018 when the current contract with Capita was due to end (September 2018). He advised that a number of legal documents had been received from LPP, including a Service Level Agreement, a Non-Disclosure Agreement and a Liability Agreement. Members heard that the initial expectation was for the documents to be approved by 31 January 2018. However, as the documents would serve as the binding contracts between the London Borough of Brent (LBB) and LPP, reviews were still being thoroughly carried out, by Brent's Legal and Finance teams, to ensure that the contents met the full requirements of the Fund with no undue oversights.

Mr Jassar advised members that a second cut of data was due to be transferred over to LPP from Capita during the week commencing 9 July 2018 with a final cut scheduled for week commencing 17 September 2018. He drew members' attention to appendix one to the report that set out the Implementation Plan to ensure a smooth transition to LPP.

RESOLVED:

- (i) That the progress report on the transition to LLP be noted;
- (ii) that the appendix accompanying this report be noted.

9. **Changes to LGPS Regulations**

The report updated the Board on recent changes to the Local Government Pension Scheme regulations and other key developments. Ms Anna McCormack (Senior Pensions Officer) introduced the report and set out the changes. These included the payment of a surplus (an "exit credit") to an "exiting employer", publication of details of admission agreements by 13 May 2019, a facility to allow backdating of admission agreements and correction of the facility that allowed deferred members to draw reduced pensions. These significant changes were currently being considered by the Brent Pension Fund (The Fund) and any change in strategy would be reported accordingly.

Mr Ravinder Jassar (Head of Finance) referenced the Scheme Advisory Board report and drew members' attention to the key LGPS highlights as set out in the report. He then spoke about General Data Protection Regulations (GDPR) and the measures being taken by The Fund to ensure employing members' compliance and how the Fund was working with the Pensions Regulator (TPR) to improve governance fundamentals.

RESOLVED:

That the changes to the LGPS Regulations be noted.

10. **Performance Monitoring - Quarter 4**

The Board received a report that provided a summary of the Fund's activity during the quarter ended 31 March 2018. It examined the economic and market background, and investment performance, as well as commenting on events in the quarter.

Mr Ravinder Jassar (Head of Finance) in summarising the headlines of the fund activity for the quarter, informed members that in the fiscal year of 2017/18 the value of the fund rose by 3.4% from £802.7m to £830.2m. During the quarter ending 31 March 2018, the Fund decreased in value by 2.9% (£24.8m) from £855m to £830.2m primarily due to falls in the value of UK and Global Equities. By contrast there was an appreciation in value in each of the previous three quarters. He drew members' attention to the tables within the report and clarified the reasons for performance/returns on the respective investments.

RESOLVED:

That the Brent Pension Fund quarterly performance report and the accompanying Independent Financial Adviser's investment report be noted.

11. **Draft Pension Fund Accounts**

The Board received a report that presented the draft Pension Fund Annual Report and Annual Accounts for the year ended 31 March 2018. Mr Ravinder Jassar (Head of Finance) informed the Board that the accounts (which were unaudited) aimed to give a true and fair view of the financial transactions and the level of assets and liabilities of the Pension Fund during the year ended 31 March 2018. He then highlighted the salient aspects of the accounts.

Members heard that against a backdrop of continued uncertainty in the global economy and increased volatility in the financial markets, the value of the Fund's investments increased from £802.6m to £830.3m with corresponding increases in total contributions received from employers and employees. These totalled £49.8m for the year, a marginal increase on the previous year's figure of £48.6m. He advised that total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, totalled £38.9m, a decrease on the previous year's £40.2m. The Head of Finance added that although the accounts were unaudited, the Council's external auditor (KPMG) had not identified or anticipated any material changes.

RESOLVED:

That the annual report and accounts for 2017/18 be noted.

12. **Update on London Collective Investment Vehicle (London CIV)**

The report updated the Pension Board on recent developments within the London CIV and the timescales attached to making investment decisions. Ravinder Jassar (Head of Finance) informed members that as at 31 March 2018 the LCIV's assets under oversight had grown to just under £15 billion, which represented around 40% of the 32 London Local Authorities total assets under management. He continued that Brent had 61% (£507m) of its assets under management overseen by the LCIV and that the Fund had achieved fee savings in the region of £0.1m per annum as a result of being part of the LCIV.

He drew members' attention to the fixed income strategy funds being launched by the London CIV as set out in the report and added that Brent officers would be meeting representatives of the LCIV over the summer to discuss the Fund's next steps in terms of the timing of future investment decisions. The outcome would be presented to the Board's next meeting scheduled for 22 November 2018. He then updated members on the outcome of the governance review.

RESOLVED:

That the recent developments with the London CIV, in particular the outcome of the governance review and the new investments be noted.

13. **Investment Advice Procurement**

Mr Ravinder Jassar (Head of Finance) introduced the report which set out the proposed procurement process to be adopted in relation to the contract for investment advice, when the current contract with MJ Hudson Investment Advisers Ltd would expire on 30 September 2018. Members were informed about the merits of National Framework for Investment Consultancy Services set up by Norfolk County Council including its transparency in fees and comparability between firms. Officers therefore recommended the use of that framework agreement in conducting procurement exercises. He drew members' attention to the list of firms that had signed up to the framework and outlined the stages of the procurement exercise as set out within the report.

Mr Jassar then drew members' attention to the recommendations of the report; the grant of delegated authority to the Chief Finance Officer to appoint a provider for investment advice services to the Fund, following a procurement process that will be carried out by officers and a representative of the Sub-Committee to sit on the interview panel.

RESOLVED:

- (i) That the Sub-Committee grant delegated authority to the Chief Finance Officer to appoint a provider for investment advice services to the Fund, following a procurement process that will be carried out by officers.
- (ii) That Councillor Choudhary (Chair of Brent Pension Fund Sub-Committee) be nominated to attend the interview and presentation stage of the procurement process.

14. **Regulatory Oversight of LGPS**

The purpose of this report was to draw members' attention to the regulatory framework within which the LGPS operated, as part of the Public Services Pension Act 2013, and the work that had been undertaken to date by Central Government. In setting the background, Mr. Ravinder Jassar (Head of Finance) informed the Board that the Government Actuary Department (GAD) appointed by Central Government to oversee the activity of LGPS had reported on whether the LGPS funding valuations complied with four criteria: Compliance, Consistency, Solvency & Long-Term Cost Efficiency.

He continued that a number of schemes were flagged by GAD as a cause for concern with regards to solvency and long term cost efficiency. Apart from the known funding level matter, Brent was not flagged as a significant cause for concern, principally due to having set appropriate contribution levels, demonstrating a reducing deficit recovery period between valuations and adopting reasonable actuarial assumptions. Members were advised that the schemes that were flagged as a cause for concern were those with relatively low contribution rates combined with low funding levels and deficit recovery periods that were not reducing between valuations. He undertook to report the findings to a future meeting of the Sub-Committee. The representative of the Fund's actuary added that no major issues of concern had been identified in Brent's valuation.

RESOLVED:

- (i) To note that the Pension Fund would need to comply with the section 13 process, responding to all queries and requirements of the Government Actuary Department (GAD);
- (ii) to note that the outcome of the review by GAD would be presented to the Board when the work had been completed.

15. **Any other urgent business**

None.

16. **Date of next meeting**

The meeting closed at 8.15 pm

MR. D EWART
Chair