



MINUTES OF THE PENSION BOARD

Wednesday 13 March 2019 at 6.00 pm

PRESENT: Mr Mr Ewart (Chair), Councillor and Councillors Kabir, Ms George and Mr Stewart

1. Apologies for absence

Received from Councillor Crane and Mr Sebastian Steer.

2. Declarations of interests

Councillor Kabir declared that she was the Chair of Governors of Village School.

3. Minutes of the previous meeting and Matters arising

The minutes of the last meeting held on 13 December 2018 were approved as an accurate record. There were no matters arising from the minutes.

4. The Pensions Regulator

The Board welcomed and received a presentation from representatives of The Pension Regulator (TPR). The presentation focussed on the TPR's expectations on the responsibilities of the Pension Board and Scheme Manager, TPR engagement with LGPS Brent and its (TPR) future work.

Board members heard that they were expected to have knowledge and understanding of scheme rules, administration and policies in addition to avoiding conflicts of interest, publishing information and recording of meetings and decisions. Members were pleased to note that the Brent Pension Fund had made significant progress in respect of record keeping, risk management, contract management and various other governance related activities.

In setting out the vision for the future, TPR would introduce two functions of supervision and enforcement by extending its regulatory reach coupled with clearer, quicker and tougher engagement. In this way it was hoped to build strong and transparent relationships, enabling stakeholders to better understand TPR.

Members thanked TPR for the presentation.

RESOLVED to note the presentation.

5. Pensions Administration Update

The Pensions Board received a report which updated on various pension administration matters as part of its remit to oversee the administration of the Brent Pension Fund. Mr Ravinder Jassar (Head of Finance) gave a summary of the main aspects of the updates covering the outcome of the statutory re-enrolment process,

the upcoming triennial valuation of the fund, annual benefit statements for 2019 and an update on the engagement with TPR.

Mr Jassar informed the Board that 156 staff were enrolled into an eligible pension scheme of which 150 staff were enrolled into the LGPS, 2 staff were enrolled into the NHS pension scheme and 4 staff were enrolled into the Teachers' pension scheme. A total of 71 opt-outs had been received across the LGPS and NHS schemes. Members also heard that as part of the commitment to improve engagement with employers and following feedback from employers, a number of tailored training programmes had been arranged in March 2019. The training, which would cover a number of strategic topics, would be delivered through four sessions split over two days starting on 25th March.

Mr Jassar explained that every three years, a formal valuation of the whole Fund was required to be carried out under Regulation 62 (1) of LGPS Regulations 2013. The valuation aimed to assess and examine the ongoing financial position of the Fund and to value the assets and liabilities of each individual employer and the pension fund as a whole, with a view to setting employer contribution rates. This, amongst others, would ensure that each employer's liabilities were as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement (FSS). In preparation for the triennial valuation, the Fund's actuary (Hymans Robertson), would be commencing early modelling on contribution rates with the work on the valuation commencing from July 2019, following the completion of the data cleanse project by LPP. The results were expected to be received around the final quarter of 2019, following which a programme of employer liaison would commence, including a formal consultation, on the draft FSS.

Members were advised that it was the scheme manager's statutory responsibility to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year. In relation to active members, the scheme manager had historically had a number of issues with regards to the production of ABS. These issues included missing data on year-end returns, queries from year-end returns not being resolved on time and not being notified of starters and leavers. A deadline of 30 April 2019 had been set for year-end returns to be submitted to LPP to ensure sufficient time to resolve any queries and ensure production of ABS within the required timeframe. The dedicated training session had been arranged to support employers through this process and an online portal would be made available for all employers whereby data would be submitted on a monthly basis rather than an annual basis via year end returns. In addition, the scheme manager and LPP would be closely monitoring this project as part of the monthly performance meetings.

The outcome of the 2018 ABS rollout was also discussed as the proposal previously presented to the Pension Board in December 2018 had changed with respect to active members. It was the scheme managers understanding that of the small number of active members that did not receive an ABS, a manual statement of benefits would be issued as soon as outstanding queries were resolved with employers. LPP has subsequently informed the scheme manager that while this is possible on a case by case basis it would be challenging to do for all of these members due to the resources currently allocated to delivering business as usual, the data cleanse project and the backlog of cases project. Members and the scheme manager were content to agree with the revised approach on the basis that

these members were able to receive a statement of their benefits should one be requested and that they would receive an official ABS as part of the 2019 ABS rollout. It was considered that this revised approach did not materially change the basis of the previous decision, made in accordance with the Breaches Policy, to not report this to TPR as a material breach.

The Board was advised that the internal audit of the pension fund had concluded that the issues identified and the resulting recommendations were successfully implemented and that the service was no longer a cause for concern. Furthermore, measures had been put in place to ensure that the issues did not re-occur. Mr Jassar continued that since TPR informed him that they would be conducting in depth engagement to discuss governance and administration of the scheme, five meetings had been held and a wrap up meeting was planned to be held at the end of March 2019. As a result of the detailed feedback on various topics received from the meetings, a number of actions with regards to improving the governance of the scheme as set out within the report, had been agreed.

In welcoming the updates, the Board thanked the scheme manager and his team of officers for the work undertaken and **RESOLVED** to note the update.

6. Pensions Administration Performance Report

This report updated the Pension Board on performance of the pension administration contract with LPP together with a review of its (LPP) performance of the contract. Mr Ravinder Jassar (Head of Finance) introduced Mr James Wilday (LPP) to present the updates.

Mr Wilday informed the Board that LPP and the scheme manager were holding monthly meetings to monitor the performance of the contract, scrutinising both individual and monthly trends. He drew Members' attention to the tables within the report which showed contract statistics for cases processed grouped by category and, monthly progress since the contract commenced in October 2018.

He advised that whilst the percentage of cases completed on time significantly improved in February across all categories, the number of cases carried forward was disappointing, a reflection of a large backlog of cases that LPP inherited from the previous administration provider. It was noted however, that the number of cases carried forward was 113 lower than the previous month.

Mr Wilday clarified that as at the beginning of February 2019, there was 1 complaint and 1 IDR case outstanding. In February 2019 none of these cases were resolved and a further 6 cases were received. Of these 6 cases, 4 cases were complaints and 2 were IDR cases. 1 new case received was resolved. Brent and LPP were taking action to ensure that these cases were resolved swiftly however, the complexity of some cases meant that this was not always possible.

In responding to questions about underlying issues, Mr Wilday stated that they mainly related to delays, inaccurate information and inherent issues from the previous administration provider, Capita. He added that LPP had now put in place robust plans to address Annual Benefit Statement (ABS) were sent out on time.

Members thanked Mr Wilday and his team for the progress update and **RESOLVED** that a further performance update be reported to the next meeting of the Board.

7. **Updated Brent Risk Register 2019**

This report presented the updated Risk Register for the Brent Pension Fund Pensions Administration Service. Mr Ravinder Jassar (Head of Finance) informed the Board that since the last meeting of the Board, the Risk Register had been revised and updated following the transfer of the administration contract to LPP. The revision was necessary due to changes in new systems and processes which in turn changed the risk profile of certain activities. He continued that since the last meeting, the following three new risk areas had been identified:

- Loss of key staff members
- Data Breaches
- Cyber Security

He added that the risk management strategy for third party providers, Hymans and LPP, would also be checked to ensure they were robust.

In welcoming the updated risk register, the Board agreed with the classifications as set out in the appendix to the report and **RESOLVED** to note the report.

8. **Update on the Record Keeping Plan 2019**

This report set out the London Borough of Brent Pension Fund Record Keeping Plan (as amended in February 2019). The plan primarily related to various activities and objectives that cover the period January 2019 to December 2019 and beyond.

Mr James Wilday (LPP) emphasised the need for the Pension Fund to maintain the highest possible data quality standards, complying with its core functions and ensuring the cost effective use of resources, if it was to pay the correct pension benefits to its members when they fell due. He continued that the updated Record Keeping Plan focused around ensuring the completeness and robustness of scheme data following the transition from Capital to LPP in October 2018. The updates also reflected recommendations made by The Pensions Regulator following a number of meetings in 2018 and early 2019.

Members were informed that progress of data improvement plans was being monitored by officers and presented to the Pension Board quarterly. Mr Wilday added that in partnership with the scheme manager and Hymans, LPP was on track to complete work streams by 30 June 2019.

Members thanked Mr Wilday for the presentation and **RESOLVED** to note the updated report.

9. **Brent Pension Board Terms of Reference review**

The purpose of this report was to update the terms of reference of the Brent Pension Board, taking into account relevant guidance from The Pensions Regulator, advice from the Fund actuary and implementing lessons learned from recent training events. The revised terms of reference also aimed to further clarify the roles and responsibilities of members of the Pension Board.

Mr Ravinder Jassar (Head of Finance) informed the Board that since its current terms of reference was agreed in July 2015, there had been significant changes in the knowledge, experience and guidance and hence the roles and responsibilities of Board members. In order to comply with the developments and clarify the core functions of the Board, it was an appropriate time to update the terms of reference. He explained that the term of office for members would run for an initial two year period with the appointments to the Pension Board confirmed annually by the General Purposes Committee.

Mr Jassar then examined each appointment in turn as set out within relevant paragraphs of the report from which it was noted that the Brent member representative (Pension Scheme member) and the Independent Chair of the Board were confirmed by the General Purposes Committee on 10 July 2017 for a period of two years from 1 July 2017. As their term of office would end on 30 May 2019, a recruitment process would be undertaken to fill those positions for approval at the General Purposes Committee planned for May 2019.

In welcoming the revised terms of reference, the Board **RESOLVED** to note the planned recruitment to fill the positions as outlined above.

10. **LGPS Regulations Update**

This report updated the Board on recent changes to the Local Government Pension Scheme regulations and other key developments from the Local Government Association's Pensions Committee. With reference to the report, Mr Ravinder Jassar (Head of Finance) highlighted the main developments.

Members noted that the cost management case (referred to as McCloud Case) about transitional protections that protected older judges and firefighters was still pending. He then referenced the MHCLG consultation paper which proposed amendments to the LGPS to which responses would be submitted by the Chief Finance Officer by April 2019. He continued with the Government's 'Fair Deal' policy which was introduced in 1999 and set out how pensions issues should be dealt with when staff were compulsorily transferred from the public sector to independent providers delivering public services.

Members heard that the LGPS SAB had asked Hymans Robertson to research the key issues impacting on the continued effectiveness of the scheme's governance now and in the future.

Members welcomed the update and **RESOLVED** to note the report.

11. **Implementation of the Investment Strategy**

This report updated the Board on progress on the implementation of the investment strategy. Members were being asked to note the recommendations of the report which had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 27th February 2019.

Mr Ravinder Jassar (Head of Finance) highlighted the salient elements which included an arrangement with the LCIV to synchronise the transaction for the second tranche of the LCIV Baillie Gifford investment of £20 with another local authority that was selling at the same time. The arrangement resulted in a saving of approximately £44,000. In regards to infrastructure fund, he added that the Fund had been recommended to commit, subject to due diligence, £50m to LCIV's infrastructure fund. This commitment level would be revised on an annual basis and the funds would be drawn down over time.

Members welcomed the report and **RESOLVED** to note the following decisions by Brent Pension Fund Sub-Committee:

- (i) Noted the progress of implementing the investment strategy approved on the 6 November 2018 meeting, including in particular the appointment by the Council (as Administering Authority on behalf of the Brent Pension Fund) of BlackRock Investment Management (UK) Limited pursuant to an investment management agreement in order to facilitate the Pension Fund's investment into the following BlackRock pooled funds:

Aquila Life Over 15 Years UK Gilt Index Fund; and
Aquila Life Over 15 Years UK Gilt Index (Term Lending) Fund.

- (ii) That the proposed investment in the London CIV's infrastructure offering in April 2019 be agreed.

12. **Monitoring report on fund activity for the quarter ended December 2018**

Mr Ravinder Jassar (Head of Finance) introduced the report which provided an update on monitoring activity for the quarter ended December 2018. He gave an overview of the fund's investment holdings and an insight to the extent to which the returns achieved were consistent with each manager's philosophy, investment approach and market conditions.

With reference to the slides, Mr Jassar explained that equity markets fell heavily as US interest rates rose again and investors became more pessimistic about the outlook for global growth. Global equity markets also took a sharp turn lower at the start of Q4 as US government bond yields climbed to 3.2%. Geographically, Japan was the worst performing region as yen strengthened and the slowing growth in Europe and China weighed heavily on exporters. North America also marginally underperformed global indices while Emerging markets were the best performing region. However, returns to UK investors were less negative given renewed sterling weakness.

Drawing attention to performance by sector, Mr Jassar highlighted the strong performance within utilities and telecommunications and marginally so within healthcare and consumer goods. He continued that oil and gas was the worst performing sector as a result of declining oil prices.

Over the next quarter, the Fund expected to fully divest from the Henderson Total Return Bond fund, complete new investment in BlackRock's over 15yr gilts passive fund, complete 2nd tranche allocations to Henderson EM and LCIV MAC funds and receive call for funds for Alinda III infrastructure fund.

As the report had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 27th February 2019, it was:

RESOLVED to note the report for the quarter ended December 2018.

13. **London CIV Update**

The report updated the Board on recent developments within the London CIV and the timescales attached to making investment decisions. Mr Ravinder Jassar (Head of Finance) updated the Board about the recent appointment of Mr Mike O'Donnell as permanent CEO to the board of the London CIV. The LCIV would commence the recruitment of a Chief Investment Officer.

In respect of investments, he informed the Board that Brent had 69% (£579m) of its assets under management overseen by the LCIV. 46% (£385.5m) in a passive investment product in overseas and UK equities through Legal & General, 19.2% in two diversified growth funds, Ruffer 5.6% (£47.1m) and Baillie Gifford 13.6% (£114.4m), 1.7% (£14.5m) in Emerging Market equities through Janus Henderson and 2.1% (£17.8m) in the MAC fund managed by CQS

As the report had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 27th February 2019, it was:

RESOLVED to note the updates.

14. **MHCLG Statutory guidance on asset pooling in the Local Government Pension Scheme Consultation**

The report informed the Board about an informal consultation on draft new statutory guidance on asset pooling launched by The Ministry of Housing, Communities and Local Government (MHCLG). The guidance set out the requirements on administering authorities in relation to the pooling of LGPS assets and built on previous Ministerial communications and guidance on investment strategies.

Mr Ravinder Jassar (Head of Finance) explained the key points of the guidance as set out in paragraph 3 of the report which included the appointment of a pool company or companies to implement the investment strategies and to maximise the benefits of scale. It was noted that the process of selection, appointment, dismissal of investment managers would also be in the hands of the pool company. He continued that 69% of the Brent Pension Fund's investments were invested with the LCIV as at 31 December 2018 and on that basis the draft statutory guidance was welcomed as it was clearly linked to the Fund's investment strategy and beliefs .

The Board welcomed the draft new statutory guidance and:

RESOLVED to note that the Chief Finance Officer would prepare a formal response to the consultation on behalf of the Brent Pension Fund before the consultation closing date of 28 March 2019.

15. **Any other urgent business**

Vote of Thanks

On behalf of the Board, the Chair expressed appreciation to the team of officers for their work within the municipal year.

16. **Date of next meeting**

The date of next meeting will be confirmed after the Council's annual Meeting in May 2019.

The meeting closed at 7.50 pm

MR. D EWART
Chair