



MINUTES OF THE PENSION BOARD

Thursday 13 June 2019 at 6.00 pm

PRESENT: Mr Ewart (Chair), Councillor Kabir and co-opted members, Ms George and Mr Bala

Apologies were received from: Councillor Crane and Mr Wheeler.

1. Apologies for absence

Received from Councillor Crane and co-opted member Mr Wheeler.

2. Declarations of interests

None declared.

3. Minutes of the previous meeting - 13 March 2019

RESOLVED:

That the minutes of the meeting held on 13th March 2019 be approved as an accurate record subject to amending "£20" to read "£20 million" on page 6 paragraph 1.

4. Matters arising

None.

5. Pension Board Annual Report

Mr David Ewart (Independent Chair) introduced his report which provided a summary of the work carried out by the Council's Pensions Board to the end of the 2018/19 Municipal Year and included a number of items the Board wished to draw to the Council's attention. He identified the following key issues:

Pensions Administration department transfer which resulted in significant service improvements being achieved during the year. The Transfer of the Pensions Administration Contract from Capita to LPP which went live on 1 October 2018 as planned had resulted in significant improvements to the service. The Board noted that the success of the transfer had resulted in monthly contract performance meetings being held and were being reported quarterly to the Board. The Board had also been very pleased to be in receipt of regular risk management that was unique to Brent's circumstances and which was being continually revised to take account of changes.

The Board noted that the scheme manager was complying with the statutory responsibility to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year and for 2019, a deadline of 30 April 2019 had been set for year-end returns to be submitted to LPP to ensure there was sufficient time to resolve any queries and ensure production of ABS in the required timeframe. The cumulative effect of the improvements resulted in The Pension Regulator (TPR) confirming to the Scheme Manager that they were satisfied with the information that had been provided to them and that they had closed their enquiries and would not be taking any action further action.

Mr Ewart wished to bring the following matters to the attention of the Council:
The Board continued to note with concern The Brent Pension Fund's level of funding, which was still one of the lowest in Local Government. The Board however noted the good current performance of the fund's investments particularly in 2018/19, as well as the Council's commitment, as shown by the contribution rates agreed up to March 2020, to bring the level of funding back to full funding over a period of 17 years (19 years from 2017).

He added that although major progress had been achieved in the Performance of the Pension Fund Administration function, there was a need to continue and build on the work undertaken to date to seek further improvements with regards to the quality of member data, engagement with employers and the general governance and administration of the scheme.

The Board welcomed the Chair's annual report and **RESOLVED** to note it.

6. **Pensions Administration Update**

Mr Ravinder Jassar (Head of Finance) introduced the report that updated the Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund. He highlighted the following:

The Pensions administration team were holding monthly meetings to monitor the performance of the contract, looking at both the individual month and trends across months. It has been observed that the cases completed on time has significantly improved since February across all categories but due to a large backlog of cases inherited from the previous administration provider, the number of cases carried forward remained disappointing. He stressed that the number of carried forward cases was 163 lower than February 2019.

The Record Keeping Plan (RKP) was a key document for the Fund that formally documents the actions being taken to review and address the data issues facing the Fund. One of the most significant elements of the plan is the data cleanse project currently being undertaken by LPP. Phase 1 of the project which addressed critical issues with common and scheme specific data, focusing on ensuring scheme data is accurate was in time for the triennial valuation.

Mr Jassar also provided an update on the forthcoming triennial valuation (every three years), in which a formal valuation of the whole Fund was carried out under Regulation 62 (1) of LGPS Regulations 2013 to assess and examine the ongoing

financial position of the Fund. The chief purpose of the valuation was 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 which will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement (FSS). With that in view, complete and accurate membership data was critical in ensuring the valuation results were accurate. If the Fund actuary is concerned about the quality of the underlying data, they will usually add a margin of prudence into their assumptions to accommodate data inaccuracies. This could mean that participating employers may have to pay contribution rates that are not directly related to the underlying liabilities

Members heard that at the end of March 2019, The Pensions Regulator (TPR) formally wrote to the scheme manager informing them that based on the information supplied throughout the engagement, TPR did not intend to take any action against the scheme manager and the case files had closed.

He drew Members' attention to the 2019 Member Communications Strategy, attached to this report in Appendix 2 and the revised terms of reference for the Pension Board which was annually reviewed to ensure it was fit for purpose (attached to this report in Appendix 4).

In welcoming the updates including the Conflicts of Interest Policy, the Chair added if any Member had concerns about the pensions administration, they should contact the Head of Finance.

RESOLVED:

- (i) That the pensions administration updates be noted;
- (ii) That the conflicts of interest policy was fit for purpose.

7. LGPS update

The purpose of this report was to update the Sub-Committee on recent developments within the LGPS regulatory environment and recent consultations issued by the Ministry of Housing, Communities and Local Government (MHCLG) which was expected to have a significant impact on the Fund. Mr Ravinder Jassar (Head of Finance) provided updates on the following; exit cap payments; changes to valuation cycle; McCloud case.

Members were informed that on 10 April 2019 HM Treasury (HMT) launched a consultation on draft regulations, guidance and Directions to implement the exit cap, currently set at £95,000. This figure included payments for redundancy, severance and pension strain which arise when a Local Government Pension Scheme (LGPS) pension is paid unreduced before a member's normal pension age. Mr Jassar pointed out that payments related to death in service or ill health retirement, pay in lieu of holiday and payments made in compliance with an order made by a court or tribunal were not counted in the definition of exit payments.

Members were also updated about MHCLG consultation about changes to the valuation cycle and the management of employer risk for LGPS funds in England and Wales which would close on 31 July 2019.

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 29th May 2019.

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

8. **Risk Register**

This report presented the current Risk Register for the Brent Pension Fund Pensions Administration Service. 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 29th May 2019.

Mr. Ravinder Jassar (Head of Finance) introduced the report. He informed Members that using guidance from The Pensions Regulator and CIPFA, together with Brent's internal risk management resources, a process was undertaken in 2018 to produce a risk management strategy that was unique to Brent's circumstances. This involved a workshop that identified all of the relevant risks, assessed those risks in terms of likelihood, understanding risk management and contingency planning, monitoring risks and documentation in a register. He added that no new addition had been identified since the last meeting of the Board. In response to a Member's question, he advised that the McCloud case could be a specific risk to the Board and that it would be considered ahead of the next meeting.

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

9. **Membership of the Local Authority Pension Fund Forum**

This report requested the Board to consider if Brent Pension Fund should become a member of the Local Authority Pension Fund Forum (LAPFF). Members were being asked to note the decision by Brent Pension Fund Sub-Committee at its last meeting on 29th May 2019 when Members agreed to defer the report pending additional information including impact analysis of the LAPFF.

Mr Ravinder Jassar (Head of Finance) introduced the report and updated the Board about the composition of the LAPFF. It currently had 80 local authority members including 29 English counties; 28 London authorities (including the City of London Corporation and the LPFA); 8 English metropolitan/ unitary authorities; 8 Welsh authorities; 4 Scottish authorities; The Environment Agency and 2 passenger transport authorities and 6 LGPS Pools. LAPFF member funds now control assets of around £230 billion. The annual subscription for each year commencing on April 1st is £9,500.

In welcoming the update, Members **RESOLVED** to note the decision of the Pension Fund Sub-Committee for deferral pending further information.

10. **Investment Monitoring Q1 2019**

Mr Ravinder Jassar (Head of Finance) introduced the report which had been considered and approved by Brent Pension Fund Sub-Committee at its last meeting on 29th May 2019 and headlined the salient points. Members heard that Total Fund return was ahead of benchmark in the first quarter of 2019 and over the quarter the fund grew from just under £839m to just over £856m.

In general, the Q1 2019 was a supportive environment for assets with equity markets returning around 10% and oil prices stabilised higher. It was noted that key contributors to drive the overall relative outperformance experienced were the two multi-asset growth funds and the reasonably new holding in CQS's multi-asset credit fund. The detractors from relative performance were the funds' investments in Henderson Emerging Markets and the two infrastructure funds. He added that the Fund would continue to monitor the infrastructure offering from the LCIV as a means to increasing their allocation in this asset class. He then drew Members' attention to the asset allocation table and the individual fund manager's performance relative to the benchmark as set out in his report.

In welcoming the report, Members **RESOLVED** to note the updates.

11. **Draft Annual Report and Accounts 2018/19**

This report presents the draft Pension Fund Annual Report and Annual Accounts for the year ended 31 March 2019. Mr Ravinder Jassar (Head of Finance) informed the Board that the accounts were unaudited however, Grant Thornton (The Council's Auditors) had confirmed that there were no major changes expected. He then highlighted the main items in the accounts as follows:

During 2018/19, the value of the Pension Fund's investments increased to £865m (2017/18 £801m) due to the strong performance of the equity markets in comparison to the previous year. 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 £46m, an increase on the previous year's £39m. As in 2017/18, the Council was in a positive cash-flow position because its contributions exceeded its outgoings to members.

The Chair drew the Board's attention to the appendix to the report in particular the Governance Compliance Statement which showed how Brent Council, as the Administering Authority of the Brent Pension Fund, had complied 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.

On behalf of the Board, the Chair expressed appreciation to the team of officers for producing an excellent draft annual report and accounts. In welcoming the report, the Board **RESOLVED** to note the draft annual report and accounts.

12. **Update on the 2019 Triennial Valuation**

The report updated the committee on the 2019 Pension Fund Valuation. Mr Sawan Shah (Senior Financial Analyst) informed Members that the purpose of the process was 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 which will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement (FSS).

He outlined some of the key assumptions in the valuation process as set out within the report, adding that these would be reviewed as part of the valuation process. The assumptions included the discount rate, the probability and circumstances that pensions will be paid and for how long and other demographic factors including the marriage status of members.

Mr Shah drew Members' attention to the indicative timeline for the valuation process which will commence in July 2019, following the completion of the data cleanse project by LPP to the Fund actuary. He continued that following employer consultation which was expected by November 2019, the implementation of new FSS and contribution rates would commence from 1st April 2020.

Mr Shah highlighted the reducing trend of the deficit period and added that whilst not pre-empting the results of the valuation, modest increases in the contribution rate may be required however the Fund would have to wait until the results of the valuation for this to become clearer.

As the report on the 2019 Triennial Valuation had been considered by Brent Pension Fund Sub-Committee at its last meeting on 29th May 2019, the Board **RESOLVED** to note the update.

13. **Review of Additional Voluntary Contributions**

The purpose of this report was to review and recommend changes to current arrangements for Additional Voluntary Contributions (AVCs) which were being provided in addition to the main Local Government Pension Scheme.

Mr Sawan Shah (Senior Finance Analyst) explained that AVCs were potentially a tax efficient way to save money for members' retirement in addition to the main Local Government Pension Scheme, allowing those members within the scheme to retire early or with a higher pension. He added that AVCs were separate from the Brent Pension Fund and the investments which were provided by Prudential were not assets of the Fund. It was noted that as of March 2019, there were 35 members with AVC investments with Prudential, of which 6 members had paid contributions in the period since 1 January 2019.

Mr Shah informed members that as Prudential had announced the closure of the lifestyle option in 2019, the Fund must decide on a new lifestyle strategy for those members currently invested in it and to be available for new members in future. In light of this announcement, the Fund commissioned its investment advisors, Hymans Robertson, to review the lifestyle option in place of the changes to lifestyle options being proposed by Prudential. The report by Hymans Robertson, attached in Appendix 1, was restricted for legal reasons.

In welcoming the report and the changes recommended by the Fund's investment advisors, it was RESOLVED to note the following decisions of the Brent Pension Fund Sub-Committee at its meeting on 29th May 2019:

- (i) That the LGPS specific AVC lifestyle strategy be approved following the closure of the current lifestyle option and changes to the self-select fund range outlined in paragraphs 3.6 – 3.8 of the report;
- (ii) That the new lifestyle option outlined in Appendix 1 - Section 3, be adopted as the new option available to members.

14. Date of next meeting

It was noted that the next meeting would take place on 22nd October 2019.

15. Any other urgent business

None.

16. Exclusion of Press and Public

The following report to be considered was not for publication as it contained a category of exempt information as specified under paragraph 3, Part 1 of Schedule 12A of the Local Government Access to Information Act 1972, namely:

“Information relating to the financial or business affairs of any particular person (including the authority holding that information)”.

17. London CIV Update on Investment matters

This report updated the Sub-Committee on recent developments within the London CIV. Mr Ravinder Jassar (Head of Finance) provided updates on Emerging Market Fund, Property, Infrastructure and Private debt and MiFID II. He outlined the options for the on-going management of the Emerging Market Fund and added that due to the rapidly changing situation, delegated authority to the Chief Finance Officer had been recommended in case The Fund needed to act quickly in order to protect its investment.

Members welcomed the London CIV updates and the decisions of the Pension Fund Sub-Committee on 29 My 2019 and **RESOLVED**:

- (i) That the recent developments with the London CIV be noted;
- (ii) That delegated authority be granted to the Chief Finance Officer to take the decision with regards to the future of the London CIV Emerging Markets fund.

The meeting closed at 8.00 pm

MR. D EWART
Chair