



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

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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 of 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
1 Apologies for absence	
2 Declarations of interests	
Members are invited to declare at this stage of the meeting, any relevant personal and prejudicial interests and discloseable pecuniary interests in any matter to be considered at this meeting.	
3 Minutes of the previous meeting - 13 June 2019	1 - 8
To approve the minutes of the previous meeting as a correct record.	
4 Matters arising (if any)	
5 Pensions Administration Update	9 - 44
This report updates the Pensions Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.	
I have attached 3 appendices to this report.	
6 LGPS Update	45 - 50
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 the supplementary pack.	
7 Brent Risk Register 2019	51 - 66
This report presents the updated Risk Register for the Brent Pension Fund Pensions Administration Service.	
I have attached 2 appendices to this report.	

8 The Pensions Regulator (TPR) 67 - 70

This report presents the outcome of The Pensions Regulator's engagement sessions with Local Authorities.

9 Brent Pension Fund's approach to Responsible Investment and Environmental, Social and Governance issues 71 - 88

This report sets out the Fund's proposed approach to further integrating Environmental, Social and Governance (ESG) considerations into its strategic decision making, in particular it sets out a new package of measures, subject to committee approval, the Fund intends to take in the short and medium term to manage the risk of climate change.

I have attached an appendix to this report.

10 Investment Monitoring report on Fund Activity for Q2, 2019 89 - 108

This report updates Members on Brent Pension Fund's activity for quarter 2, 2019.

11 Brent Pension Fund: Annual Report and Accounts 2018/19 109 - 112

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 the supplementary pack.

12 Review of Fund benchmarks and performance targets 113 - 122

The purpose of this report is to review the Fund's investment benchmarks and performance targets at an individual asset class level.

I have attached an appendix to this report.

13 Equitable Life Proposal 123 - 126

The purpose of this report is to outline proposed changes to the Equitable, a legacy AVC (Additional Voluntary Contributions) provider for the Brent Pension Fund.

14 Date of next meeting

The next scheduled meeting of the Board is on 25 March 2020.

15 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 60.

16 Exclusion of Press and Public

The following reports are excluded from the press and public as they contain the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government 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 127 - 136

The purpose of this report is to update the committee on recent developments within the London CIV (LCIV).

I have attached 2 appendices to this report.

18 2019 Triennial Valuation 137 - 190

The purpose of this report is to update members on the progress of the 2019 Triennial Valuation and the next steps. It also requests that members approve the draft FSS (Funding Strategy Statement) for consultation with employers.

I have attached an appendix to this report.

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.

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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

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 Brent	Pension Board 22 October 2019
	Report from the Chief Finance Officer
Pensions Administration Update	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	1. Breaches Policy 2. TPR - An essential guide to issuing annual benefit statements 3. Data Cleanse Project - Status
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

1.1 This report updates the Pensions Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

2.0 Recommendation(s)

2.1 The board is recommended to note the report.

3.0 Pensions Administration Performance Report

3.1 The administration of the Brent Pension scheme was transferred to LPP on 1 October 2018. This report reviews the performance of the LPP contract against agreed Service Level Agreements (SLA's) during September 2019.

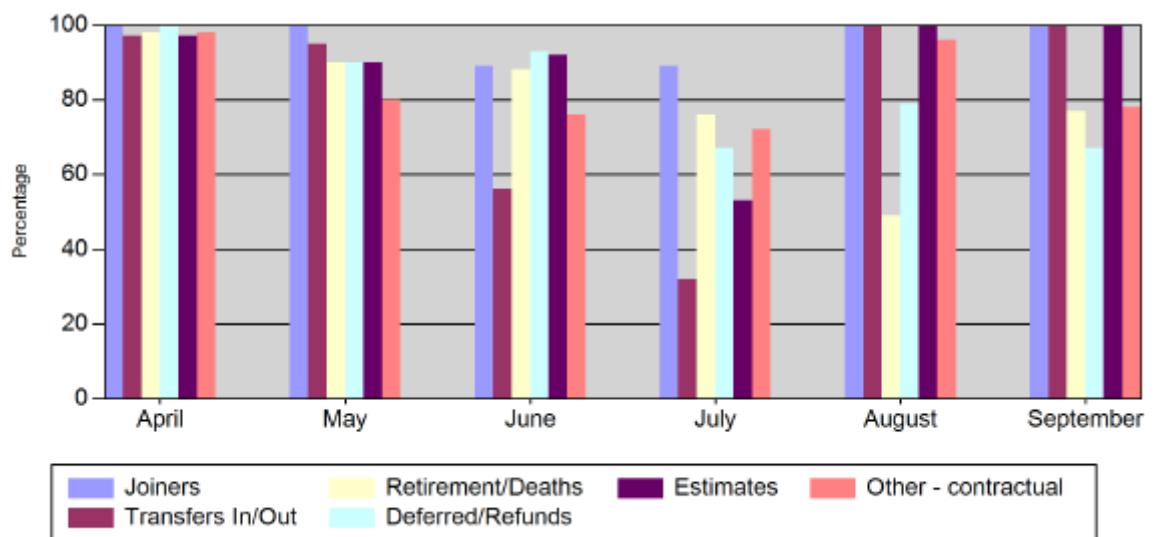
3.2 The Pensions administration team are holding monthly meetings to monitor the performance of the contract looking at both the individual month and trends across months.

- 3.3 As of 30 September 2019, the Brent Pension Fund had 7,182 active members, 6,918 pensioners (including dependants), and 7,759 deferred pensioners.
- 3.4 Table 1 shows contract statistics for cases that have been processed, grouped by category. This includes cases bought forward, received, completed, completed on time and carried forward. Chart 1 below show progress by month for the last 6 months.

Table 1:

Description	B/fwd	Rec'd	Complete	On Time	% OT	C/fwd	Average Completed Time	Average Elapsed Time
Joiners	77	91	64	64	100.00	104	18	31
Transfers In/Out	281	51	63	63	100.00	269	64	88
Retirement/Deaths	747	69	116	90	77.59	699	52	100
Deferred/Refunds	543	88	119	80	67.23	512	104	123
Estimates	45	30	34	34	100.00	41	15	26
Other - contractual	254	148	187	147	78.61	215	43	54
Total	1947	477	583	478	81.99	1840		

Chart 1:



- 3.5 In detail, since April, the percentage of cases completed for joiners has been maintained, whereas for retirements and deferred/refunds it has decreased. The percentage of cases completed for transfers in/out and estimates has increased.

- 3.6 The amount of cases carried forward has improved significantly since April. This is due to all the backlog of cases inherited from the previous administration provider being actioned or reviewed.
- 3.7 Table 2 provides detail on the number of cases that have been completed early. Overall 32% of the 478 cases completed on time were completed early.

Description	1 Day Early	2 Days Early	3 Days Early	4+ Days Early
Joiners	1	3	2	4
Transfers In/Out	4	0	0	4
Retirement/Deaths	5	4	1	13
Deferred/Refunds	5	7	5	19
Estimates	12	3	1	3
Other - contractual	10	3	0	44
	37	20	9	87

- 3.8 Since April 2019, 6 new complaint cases have been received. One new IDR case has been received. Of the 9 cases (7 complaints, 2 IDR) that were outstanding in April, 7 cases were resolved. Brent and LPP are taking action to ensure that these cases are resolved swiftly however the complex nature of some cases means that this is not always possible. In addition, following the completion of each case a process is undertaken to ensure any lessons learned are reviewed and consequently, if necessary, processes and procedures updated.

4.0 Annual Benefit Statements

- 4.1 It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year.
- 4.2 For active members, an ABS was issued to all members identified on the year end returns from employers by the deadline of 31 August 2019. There were a small number of records where queries from year end returns had not been resolved in time. For these members an ABS could not be produced as employers had not been forthcoming with the relevant information. The vast majority of these employers were schools that were closed over the summer months and could not respond to LPP's queries in a timely manner. That being said, each of these outstanding queries are being closely monitored by LPP and as soon as the queries are resolved an ABS will be issued. At the time of despatch of this report 34% of the outstanding queries had been resolved and an ABS issued to members. It is expected that all queries will be resolved by the end of March 2020 and progress is being regularly monitored and tracked as part of the monthly contract management and performance meetings with LPP.
- 4.3 The Pensions Administration Strategy allows the scheme manager to take actions against employers that do not comply with their statutory and legal obligations to the Pension Fund. These actions will be considered should employers not respond to LPP's requests for information in a timely manner.

However, to date, this has not been deemed necessary, as can be evidenced by the reduction in queries.

4.4 As part of The Pensions Regulators Code of Practice, employers and other individuals involved in running a pension scheme have a legal duty to report a breach of the law where it is likely to be of material significance to the regulator. In order to clarify the decision making process with regards to reporting breaches, a breaches policy for the Brent Pension Fund was produced and agreed by the Pension Board in July 2018. This is attached as appendix 1 for reference. At this stage, it is not considered to be a material breach to report to TPR. The main considerations for this decision are set out below.

- In relation to active members, prompt action has been taken and a plan has been put in place to resolve the outstanding issues as soon as reasonably practical.
- The scheme manager will work closely with LPP and employers to resolve the outstanding queries as soon as possible, treating the overall exercise as a high priority.
- The Pensions Administration Strategy provides the scheme manager with the powers to take action against employers who not comply with the standards set out in the strategy.
- A programme of employer engagement (support, guidance and training) is in place. Officers regularly attend the quarterly Schools Business Managers meetings. An Employers Forum will be held in November 2019, which will include presentations from the Fund Actuary, Hymans and LPP. Further training is planned in early 2020 as part of LPP's contractual programme of employer engagement.

4.5 In reaching these decisions, the scheme manager has also taken note of the new guidance issued by TPR. The guide sets out an annual review process, the importance of planning and the importance of regularly reviewing the quality of data. The key recommendations in this guidance have been reflected in the scheme manager's ABS procedures for the 2018 and 2019 ABS rollout. The guide is attached at Appendix 2 and also includes a number of interesting case studies that reflect similar issues with those experienced by Brent.

5.0 Data Cleanse Project

5.1 Following the transition to LPP on 1 October 2018, regular monthly contract performance meetings have been arranged where performance against agreed service level agreements (for example time taken to process joiners, transfers in/out, leavers, retirements, deaths etc.) have been discussed. Recent performance information for the month of September 2019 is outlined in section 3 of this report.

5.2 In addition to the business as usual (BAU) contract arrangements described above, a separate project was commissioned to review, cleanse and fix any errors identified in member data. This was to ensure that the Fund's data scores were compliant with The Pensions Regulator's expectations (for common and conditional data) and that the 2019 valuation was as accurate as possible.

- 5.3 The project comprises of three phases. The focus of Phase 1 was on critical issues with common and scheme specific data, focussing on ensuring scheme data is accurate in time for the data submission ahead of the 2019 triennial valuation.
- 5.4 LPP provided officers with a monthly update on progress throughout phase 1 which was split into 14 different work streams. Appendix 3 provides a status update for all work streams at the completion of phase 1.
- 5.5 11 of the 14 work streams were completed by 27 June 2019. This means that all cases within the work stream have been reviewed and LPP carried out remedial work where it was possible to do so. Where this has not been possible, further information has been sought from the employer.
- 5.6 3 work streams were not fully completed by 27 June 2019:
- LPP requested a report of LB Brent's payroll to complete the missing pension work stream. This has been provided and where cases are still outstanding, further information has been sought from the employer.
 - The remaining missing postcode cases relate to cases where no address is held. Where the member is a deferred member, an alternative solution may need to be used to complete the cases.
 - The missing leavers work stream was completed on 28 June 2019.
- 5.7 Following the completion of phase one of the data cleanse project and submission of the member data for the 2019 triennial valuation, LPP and Brent officers are in the process of agreeing the scope and timescales for phase two of the work which will address the additional errors that LPP have identified as requiring attention.

6.0 Financial Implications

- 6.1 There are no direct financial implications from this report.

7.0 Legal Implications

- 7.1 Not applicable.

8.0 Equality Implications

- 8.1 Not applicable.

9.0 Consultation with Ward Members and Stakeholders

- 9.1 Not applicable.

10.0 Human Resources

10.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance



Brent

London Borough of Brent

Breaches Policy

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1. Breaches Policy

The London Borough of Brent Pension Fund (“the Fund”) Breaches Policy sets out policy and procedures on identifying, managing, and reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator’s Code of Practice no 14, Governance and administration of public service pension schemes.

This policy sets out the responsibility of elected members, officers of The London Borough of Brent (“the Council”), and the Brent Pension Board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund.

This policy does not cover the responsibility of other reporters in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund.

Where a breach of the law is identified all parties will take the necessary steps to consider the breach and report it to the Regulator, rather than having the breach solely reported by any of the other reporters.

This policy will be reviewed and approved by the Council annually. The Council will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Council’s Section 151 Officer is responsible for the management and execution of this breaches policy.

The Chair of the Pension Board will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members.

2. Overview

The identification, management and reporting of breaches is a required by the Code of Practice.

In addition to identifying, rectifying and where necessary reporting a particular breach, such breaches will be used to review and improve processes in the areas where the breach occurred.

All staff involved in the administration and management of the Fund will take a proactive approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Council, as the scheme manager for the Brent Pension Fund, will maintain a log of all breaches of the law (Breaches Log) as applicable to the management and administration of the Fund.

Where a breach has occurred it will be identified and logged as either an area of non-compliance under the LGPS Regulation, a breach under Pension Law as defined within section 13 of the 2004 Pension Act, or the Pension Regulator’s Code of Practice 14.

Where a breach has occurred and has been identified by the Council, officers or members of the Pension Board, or our third party administrators, it will be recorded, assessed and where necessary reported as soon as reasonably practicable.

3. Responsibility Breach Reporting

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as “reporters”):

- Elected members and officers of the Council (the Scheme Manager);
- Members of the Pension Board;
- Scheme employers;
- Professional advisers including the Fund actuary, investment advisers, legal advisers;
- Third party providers (where so employed).

This policy applies only to elected members and officers of the Council, and members of the Pension Board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the Pension Board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other reporters.

4. Reporting Requirements

Breaches of the law which affect pension schemes will be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law
- and if so, is the breach likely to be of material significance to the Regulator.

All incidents of breaches identified are recorded in the Council’s Breaches Log. This log is reviewed on an on-going basis to determine if there are any occurrences that indicate any serious failings or fraudulent behaviour. Where such failings or fraudulent behaviour are identified immediate action will be taken to put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

5. Breaches required to be reported

A breach will be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. Where a breach is considered to be of material significance it will be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency, the matter will be brought to the attention of the Regulator immediately. A formal report will then be submitted to the Regulator marked as urgent.

6. Assessing reasonable cause

The Council and the Pension Board must be satisfied that a breach has actually occurred rather than acting on a suspicion of such an event.

Robust checks will be made by officers and elected members when acting on any suspicion of a breach having occurred drawing on legal advice from Brent's legal services and specialist external legal advice if necessary, as well as other advisers such as internal or external audit, the Fund actuary or investment advisers.

7. Determining if a breach is materially significant

When determining the materiality of any breach or likely breach, Council officers and the Pensions Board will consider the following:

- cause, e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect, does the nature of the breach lead to an increased likelihood of further material breaches;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will occur in the future.

The Council uses The Pensions Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and will need to be reported to the Regulator.

Green breach situations are not of material significance and do not have to be reported but should be recorded.

- **Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach will not be reported to the Regulator, but will be recorded in the Council's Breaches Log.

Amber breach situations are less clear cut; a reporter must take into account the context of the breach in order to decide whether it is of material significance and should be reported.

- **Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council will make a decision on whether to informally inform the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

Red breach situations are always of material significance to the Pensions Regulator and should be reported.

- **Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council will report all such breaches to the Regulator.

Once a breach or likely breach has been identified the relevant officer, in consultation with the Section 151 Officer, will review the circumstances of the breach in order to understand why it has occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary.

All breaches will be recorded in the Council's Breaches Log.

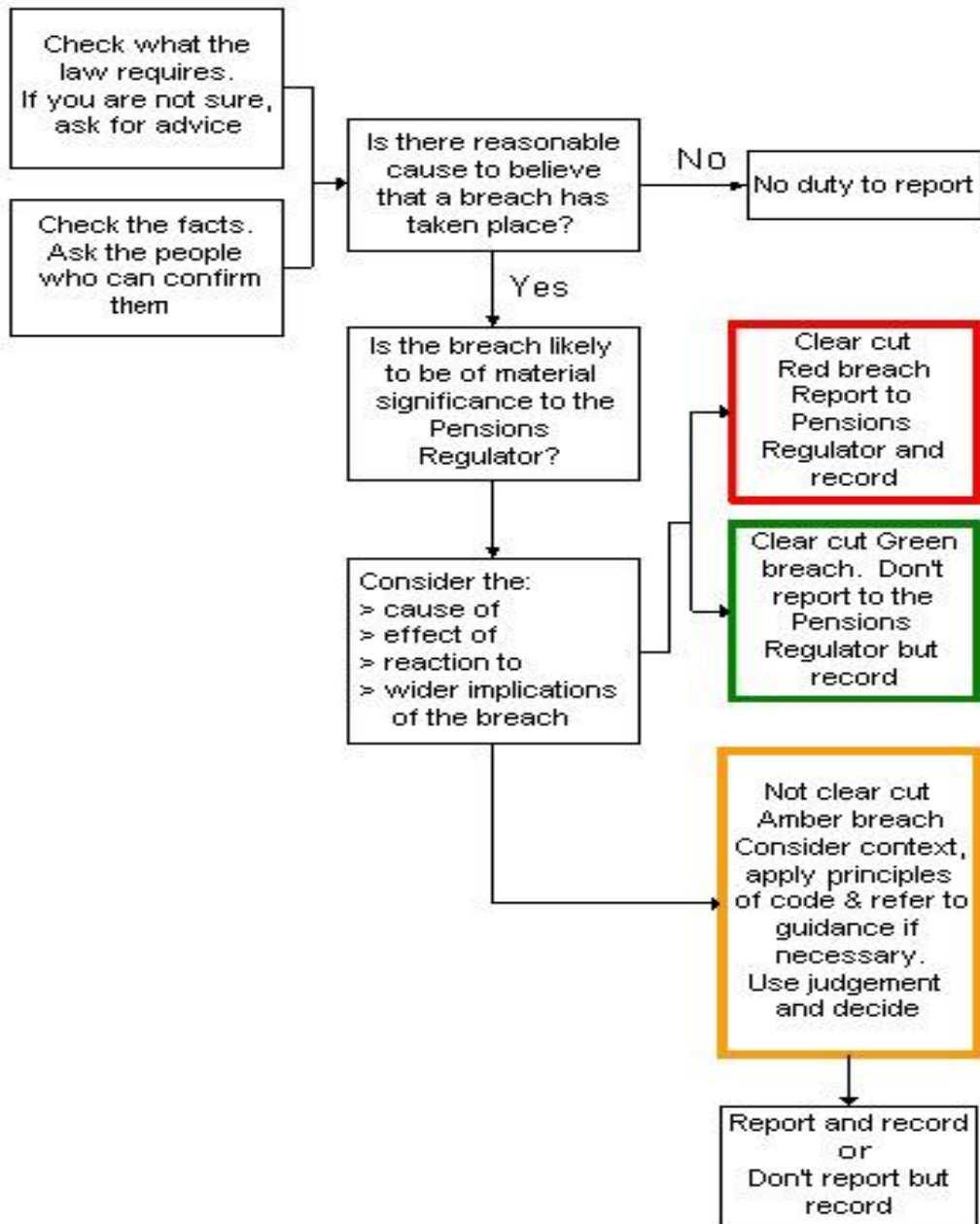
The Pensions Regulator Decision Tree

Deciding whether to report:

1. Reasonable cause to believe that a breach has taken place
 - No No duty to report
 - Yes Go to 2.

2. Is the breach likely to be of material significance, consider the:
 - Cause of
 - Effect of
 - Reaction to
 - Wider implications of the breach

The Pensions Regulator Decision Tree



8. Process for reporting breaches

All relevant officers and members of the Pension Board have a responsibility to:

- identify and assess the severity of any breach or likely breach
- report all breaches or likely breaches to the section 151 officer
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, and obtaining appropriate legal or other advice where necessary
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from re-occurring
- co-operate with and assist in the reporting of breaches and likely breaches to the Pensions Board, and where necessary, the Regulator.

9. Responsible officer

The Section 151 Officer will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Councils Breaches Log
- investigate the circumstances of all reported breaches and likely breaches
- ensure where necessary that an action plan is put in place and acted on to correct the identified breach and ensure further breaches of a similar nature do not re-occur.

Report to the Pension Fund Sub Committee and Pension Board:

- all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach
- all other breaches at least quarterly as part of the Committee cycle

The Section 151 Officer will determine whether any breach or likely breach is materially significant having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate.

If appropriate, the matter will be referred to specialist advisors, such as Legal, the Fund actuary, audit or other advice before deciding if the breach is considered to be of material significance to the Regulator.

10. Maintaining breaches record

All breaches and likely breaches identified will be reported to the Section 151 Officer as soon as they are identified. All breaches will be recorded on the Council's breaches log, including the following information:

- date the breach or likely breach was identified
- name of the scheme
- name of the employer where appropriate
- any relevant dates
- a description of the breach its cause and effect including the reasons it is or is not believed to be of material significance

- whether the breach is considered to be red, amber or green
- a description of the actions taken to rectify the breach
- a brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The Section 151 Officer is responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator.

Any documentation supporting the breach will be retained.

11. Whistleblowing


The Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

12. Training

The Section 151 officer will ensure that all relevant officers and members of the Pension Board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

End.

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Information
for those
running public
service pension
schemes

Public service pension schemes

An essential guide to issuing annual benefit statements

Introduction

Annual benefit statements (ABS) are critical in enabling members to effectively plan or make decisions about retirement.

They provide members with information about their pension benefits, based on the data the scheme currently holds.

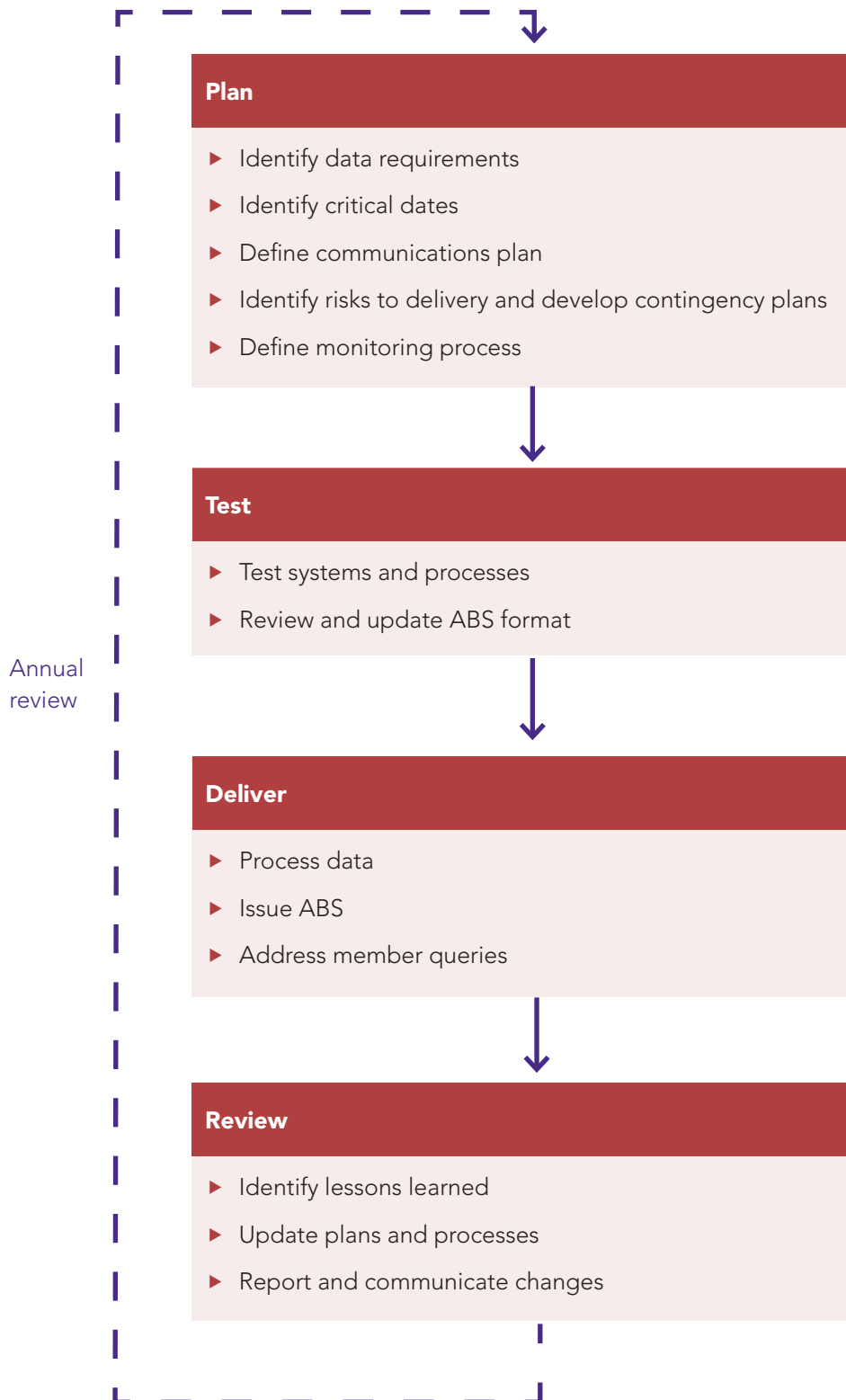
Through our engagement with public service schemes, we have identified a number of key points they may wish to consider when preparing to issue an ABS, the process for which we set out on the next page. We have also created a checklist for schemes to use which is available at www.tpr.gov.uk/ps-comms.

This guide is aimed at administrators, scheme managers and others involved in the running of PS schemes. This guide does not intend to set out comprehensively all the steps or actions schemes should take, and should be considered alongside the relevant legislation¹, and the practical guidance and standards set out in our code of practice, which can be viewed at www.tpr.gov.uk/code14.

In addition, we have updated this guide to reflect a number of case studies that highlight some of the specific issues that we identified, and the outcomes of our engagement during TPR's Annual Benefit Statements 2017 Project.

1
Including scheme regulations, the Public Service Pension Schemes Act 2013 (PSPA13), the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734), HM Treasury directions and corresponding legislation in Northern Ireland.

The ABS process

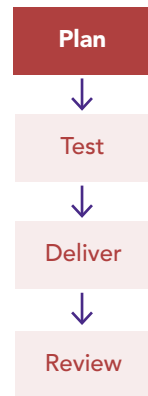


The importance of planning

As you plan for your scheme's year-end activity, you should consider what information you require and the steps you need to take to deliver an ABS in a timely and accurate manner. You should ensure early on that all stakeholders are clear on their roles and responsibilities, and what is required of them.

"We didn't anticipate the extent of the impact the new data requirements would have on employers' ability to provide accurate data in time. We had to reallocate resources to chasing employers and resolving data issues and we couldn't meet the timetable." Scheme administrator

"We communicated with all employers on the changes to the scheme and the change in our requirements regarding scheme member data. We did this through bulletins, information on our website, employer forums and specific training events."
Pensions manager



Areas to consider

Identify data requirements

You'll need to identify the information your scheme administrator needs to enable them to produce an ABS. For example:

- ▶ What data is required as a result of PSPA13, scheme regulations, disclosure requirements or Treasury directions? Have there been any changes to these legal requirements you need to consider? Are there any gaps which need resolving eg outstanding joining details?
- ▶ Are any additional data items required by the scheme actuary for scheme valuation?
- ▶ Is any other information required?

You'll also need to consider who needs to provide this data, for example employers, payroll, HR or external payroll providers. Check when the data is needed by and in what format.

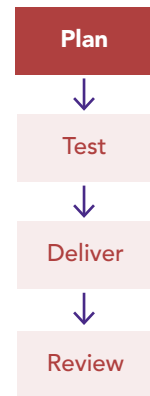
Find out what the process is for data quality assurance. For example:

- ▶ Process and ownership of data testing
- ▶ Process and ownership for resolution of data errors
- ▶ Resourcing required to deliver

Identify critical dates

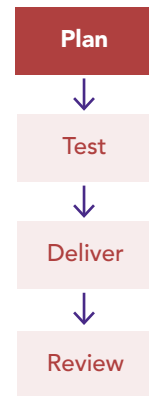
What are the critical dates which need to be met? Consider:

- ▶ Deadline for identifying and setting out data requirements
- ▶ Deadline for receipt of data from employers or payroll providers
- ▶ Data quality assurance process
- ▶ IT scheduling (eg testing)
- ▶ Internal or external governance deadlines
- ▶ Printing or publishing lead times
- ▶ Order in which ABS will be issued
- ▶ Deadline for issuing ABS in order to meet the legislative requirements



Communications

Identify your key stakeholders.



Are roles and responsibilities clearly defined? Have you clearly communicated the timelines?

Have you made sure that all stakeholders (in particular employers) are aware of what you need, in what format, and when you expect it by? Do you need to run through requirements with them to test their understanding?

Do you need to provide training? This may include training employers on data requirements, or training for the scheme administrator on answering queries from employers and members.

Consider additional engagement with new stakeholders, eg new scheme employers.

Keep employers, pension boards, and others informed on progress and issues in a timely manner.

Is a process in place for member queries once the ABS has been issued? Has ownership been defined, volumes estimated, targets set and resources assigned?

Identify risks to delivery and develop contingency plans

What are the potential risks to delivery?

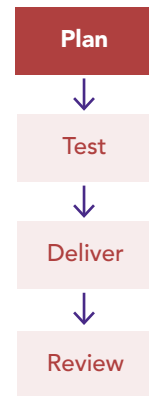
- ▶ What action can you take to prevent the risk materialising?
- ▶ What actions are available to you if the risk does materialise?
- ▶ What are your points of contact and escalation routes?

Do you need to build in time for contingency into the plan?

Are your processes for identifying, assessing and reporting breaches of the law to us in place and fit for purpose? Are all relevant parties aware of these? See www.tpr.gov.uk/ps-breaches for more information.

Define the monitoring process

Now the requirements, timelines, stakeholders and risks have been identified, who is responsible for monitoring the progress of delivery? How will it be reported and to whom?



The planning process in summary

1. Identify data requirements
2. Identify critical dates
3. Define communications plan
4. Identify key risks to delivery and develop contingency plans
5. Define monitoring process

Test to pre-empt issues

Inappropriate systems and processes pose a major risk to schemes being able to issue timely and accurate benefit statements. It is important that you put appropriate systems in place and test them ahead of time.



“The main cause of delays was software conflicts with the administration system provider. These took a long time to fix, and after the data we also had to test the printing.”

Pensions manager

“Our employers can choose to provide an ‘early’ year-end file. This allows employers to ensure the reports are working correctly and allows us to start looking for data queries.”

Pensions manager

Areas to consider

Test systems and processes

Are the systems and processes fit for purpose? For example:

- ▶ Data receipt process – testing the employer interface, testing of data file format.
- ▶ Are the administration software and payroll software compatible – if not, can these incompatibilities be resolved or are workarounds required?
- ▶ Are your security protocols fit for purpose? Eg information handling protocols, encryption and password protection, process for resetting passwords.

Do your benefit calculation formulas need updating? Have there been changes to the benefit design (eg final salary to career average) or have new schemes been established?

If providing online statements – are any updates to the system required before ABS can be uploaded?

Review and update ABS format

Do you need to review the format of your ABS? For example:

- ▶ Does it meet the disclosure requirements?
- ▶ Is it easy to understand?
- ▶ Should you include a glossary or a frequently asked questions section as an appendix, or a guide to understanding the statement?
- ▶ Are appropriate processes in place for providing statements to members who require alternative formats for reasons of accessibility?
- ▶ Who needs to sign off the format of your ABS?

Is there any other information you should be including alongside the statements (eg on cessation of contracting out, death benefits nominations, new governance arrangements, update on the pension board's work)?



The testing process in summary

1. Test systems and processes
2. Review and update ABS format

Managing delivery

Careful management of the delivery phase of the ABS process will help you swiftly identify and resolve issues, as well as inform the planning for following years.

“We tested the data but there were a number of ‘gone-away’ members in the data file so it was another month before the printers got the clean data file. There was then a delay in the enveloping of the statements.” Pensions manager

“We accept monthly returns from employers so we can check and reconcile data on a more regular basis.” Pension services manager



Areas to consider

Data processing

When processing data, there are a number of issues to consider:

- ▶ Have you checked the data against all member categories you are issuing statements to?
- ▶ Have you allowed for iterative quality assurance processes? For example load and test received data, resolve queries with employers and payroll providers, receive updated file, load and test updated file, resolve outstanding queries?
- ▶ Have you kept a log of any systemic issues for which you may have had to develop workarounds, so that these can be resolved before the next cycle?
- ▶ Have you tested the output of your calculations?
- ▶ Who will sign-off on the ‘clean data’ for submission to the printers or publishers?

Issuing the ABS

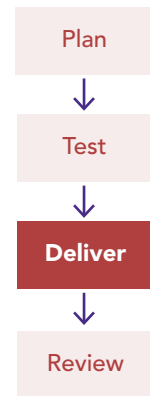
- ▶ Have you done a test run of the ABS print and preparation for postage? Are there any issues to resolve?
- ▶ If providing electronic copies, have you done a test run of the electronic file format?
- ▶ Is a process in place for returns (‘not known’ at address or email invalid)? Ensure these are logged and followed up on.

Member queries

Are you monitoring delivery? Ensuring appropriate records are being kept of member queries, processing times, and outcomes can inform your planning and resourcing in the following year.

The use of targets and key performance indicators (KPIs) can help you measure performance and identify where resources need to be deployed.

Capturing issues and trends helps you to understand training needs, but also where you may need to consider a more systemic fix to a problem.



The delivery process in summary

1. Process data
2. Issue ABS
3. Address member queries

Reviewing and refining

The end of the ABS process provides an opportunity to learn and to inform the following year's plans. This is particularly important when new requirements are introduced. You should use this opportunity to proactively address issues and minimise the risk of issues arising again.



“Our administrator experienced technical problems and the ABS were delayed. They conducted a review of lessons learned to avoid the situation recurring and they discussed it with the scheme manager. We submitted a breach of law report to the regulator as there was a delay of three weeks, which affected thousands of members.” Chief technical officer

“Following consultation with the largest employers in the scheme, we agreed a timetable for next year, taking into account all the issues we encountered this year. We set this timetable out in an all-employer bulletin to clearly set expectations for next year.” Pensions manager

“We have conducted a survey of employers to try and identify what improvements can be made, with the aim of making next year's process less troublesome.” Scheme administrator

Areas to consider

Identify lessons learned

In addition to an internal lessons learned exercise, consider seeking feedback from other stakeholders including payroll providers, employers, printers and members, for example:

- ▶ What issues arose?
- ▶ How were these resolved?
- ▶ What could be done to prevent the issue from recurring?
- ▶ Are there any other areas that could be improved?

Update plans and processes

- ▶ Update your scheme year end and ABS processes to reflect lessons learnt.
- ▶ Where issues could not be resolved and workarounds had to be used, ensure that remedial work is scheduled in time for completion before the next year end cycle.

Report and communicate changes

Consider any other reporting or communications which may be required, for example:

- ▶ Reporting to the pension board, employers, members and other stakeholders on lessons learned, any changes to the process and any additional action required to prevent issues from recurring.
- ▶ Individual feedback to stakeholders on issues, eg feedback to each employer on their end of year return.
- ▶ Reporting in line with the governance arrangements for the scheme, eg capture issues on the scheme's risk register.
- ▶ Where issues resulted in a failure to comply with legal duties (eg a failure to produce the ABS) and this is likely to be of material significance to us, you should submit a breach of law report. This includes where the failure occurs as a result of a third party's actions (eg employer failure to provide data or outsourced administrator failure). This should be done as soon as reasonably practicable and not only once the issue has been resolved.

Further information can be found on our website at:

www.tpr.gov.uk/ps-breaches



The review process in summary

1. Identify lessons learned
2. Update plans and processes
3. Report and communicate changes

Case Outcomes

TPR undertook the Annual Benefit Statements 2017 Project after the statutory deadline for providing that year's ABSs to relevant members had passed. This involved engaging with schemes, on both a proactive and case investigation basis, to determine the extent to which they had met their legal requirement to provide ABSs to members by 31 August 2017.

As part of our engagement, a number of scheme managers informed us that they had been unable to meet (in full) the statutory deadline. Several other schemes provided us with breach of law reports, details of the challenges they had encountered during the process and copies of their plans for resolution of these issues in a timely manner. These plans generally reflected an overall lack of complete and/or accurate data. We engaged further with these schemes to establish a greater understanding of the underlying issues, and determined that this was due to a variety of different reasons.

It was evident in a number of instances that scheme managers were not governing their schemes appropriately in terms of managing relationships with employers, and the provision of data by them. Some scheme managers were clearly not communicating sufficiently with employers, and there was also a lack of formal policies and processes to cater for situations where employers were non-compliant in providing complete, accurate and timely data. Where scheme managers have specific powers available to tackle these issues, this may also have indicated that they had a poor understanding of those powers. This allowed poor behaviours on the part of employers to continue unaddressed.

Equally we found that, on the part of employers, there was also a lack of understanding of their role and their obligations to engage appropriately with schemes and provide timely, complete and accurate data to scheme managers.

In one specific case, we were advised by the scheme manager that they would only be able to issue around 75% of ABSs to the active membership before the statutory deadline. The scheme had in excess of 400 participating employers, and the key issue was that their existing process for reconciling contribution returns operated on an annual basis. This did not allow adequate time to rectify any issues with the data prior to the statutory deadline.

We engaged with the scheme manager and obtained further information about their rectification plan. This detailed their intention to resolve issues in relation to the outstanding ABSs before issuing on a weekly basis. The entire process was expected to be completed within a reasonable timeframe.

The scheme manager recognised that, in order to address poor performance and lack of engagement by participating employers, they should better communicate that they had the ability to issue penalties to employers for non-compliance with their obligation to provide timely and accurate data. This was incorporated in the scheme's administration strategy to ensure that the process was formally documented. The implementation of this approach proved highly successful, with 94% of employers providing their annual returns on time compared to 52% the year before.

Going forward the scheme has also identified a way to improve its performance in processing and reconciling contributions. This will involve moving from an annual to a monthly reconciliation basis, allowing earlier detection of data errors, and helping to ensure member records are updated on a more regular basis rather than waiting until the year end. The scheme manager was confident that, once implemented, future ABSs would all be provided in advance of the annual statutory deadline.

In another case the scheme manager advised TPR of longer-standing issues, including difficulties engaging with employers and issues arising from the migration to a new administration system. TPR engaged with the scheme manager, had sight of their plan and provided the appropriate challenge which led to a more robust process being adopted. This included ensuring the scheme manager developed internal controls to help improve the level of employer engagement and record keeping for the scheme. We also discussed the importance of educating employers about their duties to the scheme.

Following on from our engagement, the scheme manager secured additional resource and strengthened its approach to dealing with employers - including working closely with them to increase their understanding of their obligations in relation to the scheme. The scheme manager was subsequently able to obtain accurate member data and validate it more quickly. Members were then contacted by the scheme with information about their benefit entitlements. This engagement also strengthened the position of the scheme manager in relation to future compliance. Following our engagement they are developing a new administration strategy document, which explains the roles and responsibilities of both the scheme and employers, including the consequences of not complying with the various duties.

We concluded that - based on the improvements implemented, the proactive engagement with the affected members, and the progress made in issuing the remaining ABSs within a reasonable timeframe - no further action would be taken by TPR.

In other cases we have seen issues which have arisen with outsourced administration providers. In one particular case all ABSs were provided to active members by the statutory deadline. However, it emerged shortly afterwards that there were significant errors in the statements, which affected approximately 10% of the active membership of the scheme. TPR received a very clear and detailed breach of law report shortly after the scheme manager was alerted to the issue. Members had identified errors in their statements, which included incorrect dates of birth, names, service history, and benefit calculations. There were clearly fundamental issues in respect of the quality of the scheme's member data that were causing the volume of errors in this case.

Generally throughout the period of their contract with the administrator, the scheme manager had experienced poor delivery of accurate performance reports, which were due under the terms of their service level agreement. This had resulted in the scheme having to use its own resources in order to respond to member queries, in addition to carrying out their own compliance reviews. The scheme manager therefore found it necessary to escalate to the administrator's senior management.

Once the issues had been identified, the scheme manager engaged with all relevant stakeholders at an early stage, including the pension board and its independent chair. In addition, a communication was promptly issued to all members advising them of the situation, and confirming that action was being taken to determine the scale of the problem. Online content for both the scheme and the administrator was updated, providing members with contact details for the team within the administrator that was co-ordinating and responding to queries. Additional resource was also allocated to deal with any queries as quickly as possible, while a formal rectification plan was being produced. This process allowed the administrator to quickly identify the cause of the problem and rectify it accordingly.

The administrator provided assurances that the core data on the scheme's pension administration system was not compromised in any way. The problem was identified as being the result of errors in the manual process. TPR were advised that this was not indicative of a wider systematic problem and there was not any form of data breach. Most importantly, we were also assured that none of the scheme members had suffered any financial detriment as a result of the issue. In addition, when a member identified an error and advised the administrator accordingly, they were able to reissue a replacement statement immediately.

The administrator acknowledged that the manual errors represented a quality assurance issue. Their processes were therefore amended to include additional quality checks on the accuracy of the data held before statements were issued.

This case illustrates the fact that when scheme managers outsource services to a provider, it is essential to establish clear, robust performance measures, and incorporate measurable key performance indicators (KPIs) in any contract or service level agreement. These must then be monitored to allow the scheme manager to review performance, and take action if necessary to ensure that the contractual obligations on the provider to submit certain information and reports in a timely manner are adhered to. This is essential given that scheme managers continue to be ultimately accountable for any activities delegated to an outsourced provider. It may therefore be necessary for scheme managers to seek their own assistance from their own legal advisers, and also refer to TPR's guidance:

www.tpr.gov.uk/6-advisers-providers.aspx

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www.tpr.gov.uk

www.trusteetoolkit.com

Free online learning for trustees

www.pensionseducationportal.com

Free online learning for those running public service schemes

The essential guide to issuing annual benefit statements

Public service schemes

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**The Pensions
Regulator**

Work Stream	Detail	Update					
		Status	January	March	April	May	June
Workstream 1 – Missing contributions	2,033 records identified as having a missing contribution error.	COMPLETE	0%	11%	91%	91%	100%
Workstream 2 – Employer code	68 records identified as having a missing employer code – HYMANS PRIORITY	COMPLETE	100%	100%	100%	100%	100%
Workstream 3 – Member Status	85 records identified which have missing or inaccurate member status - HYMANS PRIORITY	COMPLETE	100%	100%	100%	100%	100%
Workstream 4 – Missing Salary	577 active records identified as having a salary missing at last valuation date - HYMANS PRIORITY	COMPLETE	0%	6%	74%	77%	100%
Workstream 5 – Missing final salary	1,823 other status records which have missing salary at last valuation date - HYMANS PRIORITY	COMPLETE	0%	2%	18%	64%	100%
Workstream 6 – Missing or incomplete CARE pots	1,345 records identified which have CARE data missing or where the CARE screen is incomplete - HYMANS PRIORITY	COMPLETE	0%	5%	87%	87%	100%
Workstream 7 – Missing Pensions	431 records identified which have pension information missing. This workstream incorporate the following errors from the initial analysis; Current Pension missing Date Pension Started missing Pensioner Member without a pension screen HYMANS PRIORITY	In Progress	0%	0%	0%	0%	70%
Workstream 8 – Missing postcode	1,858 records identified as having a postcode missing - HYMANS PRIORITY	In Progress	0%	37%	40%	40%	44%
Workstream 9 – Known Missing Leavers	605 records are known to be leavers based on information received from Capita - HYMANS PRIORITY	In Progress	0%	62%	67%	67%	67%
Workstream 10 – Missing joiners	796 new joiner's records identified that have not been created on Altair	COMPLETE	0%	6%	6%	6%	100%
Workstream 11 – Missing PI Date	1,735 records have been identified with either a missing or out of date pensions increase date recorded on the record	COMPLETE	41%	42%	44%	62%	100%
Workstream 12 – Age discrepancies	77 records have a DOB which would put the members age outside of agreed tolerances	COMPLETE	0%	0%	49%	49%	100%
Workstream 13 – NINO discrepancies	107 records identified as having a temporary NINO	COMPLETE	0%	0%	4%	89%	100%
Workstream 14 – Multiple NINO with different DOB	334 records identified with a duplicate NINO but different DOB.	COMPLETE	100%	100%	100%	100%	100%

LPP Project Status Report

Project Name: Brent Data Cleanse Phase 1 Period Ending: 27/06/2019 Project Manager: James Wilday
 Status for the Previous Period: Green Status for the Current Period: Green

Key Activities/Workstreams

Activity/Workstream	Due Date	Number of Cases	% Complete	Status
Missing Contributions	30/06/2019	2033	100%	Complete
Missing Employer Code	30/06/2019	85	100%	Complete
Missing Member Status	30/06/2019	85	100%	Complete
Missing Final Salary (Active)	30/06/2019	577	100%	Complete
Missing Salary (Other)	30/06/2019	1823	100%	Complete
Missing CARE pots	30/06/2019	1345	100%	Complete
Missing Pensions	30/06/2019	429	70%	A/w Payroll output
Missing Postcode	30/06/2019	1858	44%	In Progress
Known Missing Leavers	30/06/2019	605	67%	In Progress
Known Missing Joiners	30/06/2019	796	100%	Complete
Missing PI Date	30/06/2019	1735	100%	Complete
Age Discrepancies	30/06/2019	77	100%	Complete
NINO Discrepancies	30/06/2019	107	100%	Complete
Multiple NINO - Different Date of Birth	30/06/2019	334	100%	Complete

Status Summary

- The workstreams shown above as 100% complete means that we have finished the review of all members within those workstreams and have carried out what remedial action we were able to. There will be members within all of these workstream that now require additional work that was not identified at the start of the project, i.e. we have identified a potential missing leaver.

- The completed workstreams also all have an element of the list that require further information from employers. The information required will be compiled into a list for each employer and the request will be sent.

- Through this review we have identified 1,419 potential leavers across all workstreams that had not been identified previously.

- The remaining Missing Postcode queries are all members with no address held on Altair. A small proportion of these are in respect of active members which we will contact employers for an up to date address. The rest will need to be traced by some other means.

- We have requested a report of LB Brent's pensions payroll which we will use to complete the missing information for the Missing Pensions workstream. This is because the documents held for each member is generally insufficient to recreate the pensions details screen on Altair.

Planned Activities - Next 4 Weeks


- Summary including a breakdown of each workstream's results and further action required will be provided to LB Brent.

- Lists of the additional information required from employers will be compiled and sent to the appropriate employer or payroll provider contacts. We propose to use LPP's mimecast facility to ensure this information is sent in an encrypted format but it will require employers/payroll providers to register with Mimecast in order to receive the email.

- The review of the Missing Leavers workstream is still currently in progress but will be finished but the end of 28th June 2019. This has had to wait for the completion of the Missing Joiners workstream as so of the missing leavers required an Altair record to be created.

Key Achievements Since Previous Report

Key Risks and Issues

 <p>Brent</p>	<p>Pension Board 22 October 2019</p> <hr/> <p>Report from the Director of Finance</p>
<p>LGPS Update</p>	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	<ol style="list-style-type: none"> 1. Exit Payments Cap - LGA Summary 2. McCloud – Hymans Robertson Summary 3. Good Governance – Hymans Robertson Summary 4. The LGPS Community – LGA Document 5. LGPC Bulletin - June 2019 6. LGPC Bulletin - July 2019 7. LGPC Bulletin - August 2019 8. LGPC Bulletin - September 2019
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	<p>Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance</p>

1.0 Purpose of the Report

1.1 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.

2.0 Recommendation(s)

2.1 The Board is asked to note the recent developments in the LGPS.

3.0 Detail

Exit Payments Cap

- 3.1 The government first announced plans to cap exit payments in the public sector in 2015. On 10 April 2019, HM Treasury (HMT) launched a consultation on draft regulations, guidance and directions to implement the cap.
- 3.2 The exit payment cap is set at £95,000 and redundancy payments (including statutory redundancy payments), severance payments, pension strain costs – which arise when a Local Government Pension Scheme (LGPS) pension is paid unreduced before a member’s normal pension age – and other payments made as a consequence of termination of employment are included in the cap.
- 3.3 The LGA prepared a response following the proposed draft regulations and have raised concerns on the feasibility and consequences of implementing the Policy in the manner set out in HM Treasury’s Consultation Document.
- 3.4 From the response, the LGA noted that the scope of the cap set out in the consultation could cover local government workers who have decades of service and earn less than £23,500 a year while an absence of reviews to the £95,000 cap limit would mean that over time, more people with salaries below the UK Average would be affected.
- 3.5 The consultation has not defined an implementation period to the proposed draft regulations. The LGA noted that due to the volume of consequential regulation changes required and the substantial changes needed to administrative systems, a minimum of nine months from the date the regulations are passed would be required for the necessary reforms to the Local Government Pension Scheme to be introduced and the actuaries, payroll providers and others to respond accordingly. Further details of the LGA response are set out in Appendix 1.

4.0 **McCloud Case**

- 4.1 On 21 December 2018 it was reported that the Court of Appeal ruled that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully discriminatory. This case is known as the ‘McCloud case’.
- 4.2 Following the judgment, on 30 January 2019, the Government published a written statement that paused the HMT cost management process for public service pension schemes, pending the outcome of the application to appeal the McCloud case to the Supreme Court.
- 4.3 On 14 May 2019, the scheme advisory board (SAB) published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations. Key Points from the Advice Note included that for the Purposes of the 2019 Valuation, as no remedy was agreed by 31st August 2019, LGPS Funds should value the benefits as per the current LGPS Regulations. In addition to this, Funds should consider how to factor in the uncertainty and risk associated with the McCloud case when setting Employer Contribution Rates and that once the McCloud case is remedied, funds would revisit Employer Contribution Rates to ensure they remain appropriate in light of any additional

costs. Further to this, the Cost Cap Process will be suspended until the McCloud Case is resolved.

- 4.4 On 27 June 2019, the Supreme Court denied the Government leave to appeal the McCloud and other associated cases confirming 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 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 there is no certainty about how much this additional cost will be.
- 4.5 Outlined in Appendix 2, the Fund Actuary has produced a summary regarding the various approaches in which the McCloud risk can be managed. Given that no remedy had been agreed by 31st August 2019, it will leave Funds to consider locally how best to manage the uncertainty and risk. It is expected that approaches will vary across LGPS Funds depending on Officers' and Boards' views on this risk. The fund is currently analysing and working together with both the Fund Actuary and Investment Advisor to manage the potential ongoing risks for the fund.
- 4.6 As part of the external audit of the Pension Fund accounts, the auditors requested an estimate of the potential impact of McCloud, and if material, reflect the changes in the accounts. This was estimated at £3m at whole fund level. Depending on the liability profiles on different employers, the impact will vary across different employers.

5.0 Good Governance

- 5.1 As a result of significant cuts to local government funding over the last decade, the pooling of LGPS Investments and the increasing complexity in scheme benefits and administration, the Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS Governance Models and to consider alternatives and enhancements to existing models which can strengthen LGPS Governance going forwards.
- 5.2 Hymans Robertson undertook a process of engaging extensively with stakeholder groups and fund types to consider four governance models, each of which would be assessed against set criteria. The process undertaken enabled identification of best practices within current governance arrangements as well as identification of additional ideas to strengthen governance within the current regulatory framework.
- 5.3 Results found that there was a majority preference in adopting a governance model which combined improved practice with greater ring fencing of the LGPS within existing structures. This involved the introduction of guidance or amendments to LGPS Regulations to enhance existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas. In addition to this, results found there was a

preference for clearer ring-fencing of Pension Fund management from the host authority, including budgets, resourcing and pay policies.

- 5.4 Following the analysis of these results, Hymans Robertson proposed that an outcome based approach to LGPS governance, with minimum standards, should be adopted rather than a prescribed governance model. In addition to this, Hymans Robertson proposed updating of relevant guidance and training requirements.
- 5.5 Following the approval of the good governance report, the Scheme Advisory Board (SAB) has asked Hymans Robertson to assist with the next stage of this project which will involve the defining of good governance outcomes and options for assessment of these outcomes. Further details of the results and analysis undertaken by Hymans Robertson are set out in Appendix 3.
- 5.6 Overall the Fund supports these recommendations, in particular clearly clarifying the standards expected in areas of governance and administration.

6.0 The LGPS Community

- 6.1 The LGA has produced a document set out in Appendix 4 to explain the relationship between the different bodies that make up the LGPS Community. While the document itself is not a comprehensive guide to all the roles and responsibilities of the bodies that make up the community, it illustrates both the formal and informal relationships between the bodies to form a cohesive collaboration. Further details can be found set out in Appendix 4.

7.0 Financial Implications

- 7.1 This report is for noting, so there are no direct financial implications. However, the outcome of the consultations could have financial implications for the Fund, in particular the exit cap and the outcome of the McCloud case. Further work will be done with the Fund actuary to analyse the implications and report back to the Board.

8.0 Legal Implications

- 8.1 Not applicable.

9.0 Equality Implications

- 9.1 Not applicable.

10.0 Consultation with Ward Members and Stakeholders

- 10.1 Not applicable.


11.0 Human Resources

- 11.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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 Brent	Pension Board 22 October 2019
	Report from the Director of Finance
Brent Risk Register 2019	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Two 1. Risk Register 2. Risk Strategy
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 This report presents the updated Risk Register for the Brent Pension Fund Pensions Administration Service.

2.0 Recommendation(s)

2.1 The board is asked to note the report.

3.0 Background

3.1 Effective risk management is the foundation of sound corporate governance and for the LGPS the focus should be on all aspects of the scheme's operation, not just investment matters. Having a strategy and register in place is a way for the scheme manager to identify and manage scheme risks and it is considered good practice to have a strategy and register in place alongside established reporting mechanisms.

3.2 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.

3.3 It is recognised that risk management works well when the administering authority, the Pension Board and employers work together. All parties then understand each other's capacity and appetite for risk. Key elements of this strategy were discussed at a recent working party set up with the scheme manager, administrator and select employers for feedback and comment. The Risk Strategy is attached to this report in Appendix 2.

3.4 It has been agreed in previous Board meetings that the Risk Register would become a standing agenda item at these meetings, with new risks and any changes to classifications of risks being reported to the board.

3.5 Key changes to the Risk Register:

- A new risk has been added relating to the McCloud judgement which will potentially increase pension fund liabilities.

The board is asked to notify the scheme manager if it disagrees with these classifications and present any new risks that they would like to be considered.

3.6 The revised Risk Register is attached at Appendix 1 and it is proposed to present any changes or updates to this document to the Pension Board at every meeting.

4.0 Financial Implications

4.1 There are no specific financial implications associated with noting this report.

5.0 Legal Implications

5.1 None arising directly from this report

6.0 Equality Implications

6.1 None arising directly from this report

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable for this report.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None arising directly from this report

Report sign off:

Minesh Patel
Director of Finance

The London Borough of Brent Pension Fund Risk Register 2019

Index	A	B	C	D	E	F	G	H	I	J
1	Risk Area Disaster Recovery	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment 1
1.1	Operational Disaster Recovery Plans Brent	Loss of or unable to access admin systems for: a) Pensions b) Payroll c) Pensioner payroll	1	10	10	Brent Council Business Continuity Procedures	Brent	Annual	2020	Brent Council disaster recovery plan in place
1.11		Pension Systems I.T.	1	10	10	Database of all: a) Advisors b) Suppliers c) Contracts	Brent	Annual	2020	Held as hard copy by Brent Council's Legal Department
1.2	Operational Disaster Recovery Plans LPP	Loss of or unable to access LPP admin systems for pensions	1	6	6	LPP Shared Service Agreement.	LPP	Annual	2020	From 1 October 2018 LPP disaster recovery plan in place as part of their Shared Service Agreement with Brent Council
1.21		LPP Pensions Admin System (Altair) used by Brent Council Employers, Maintained Schools and Academy's	1	6	6	LPP Shared Service Agreement	LPP	Annual	2020	LPP have a recovery plan in place for their pension admin platform Altair (External provider Aquila/Haywood)
2	Risk Area Business Continuity Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
2.1	Business Continuity	LPP Financial Standing	1	10	10	LPP Service Contract	Brent	Annual	2020	Brent Council unaware of any financial problems for the LPP
3	Risk Area Risk Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
3.1	Risk Planning And Monitoring	Not monitoring: a) Risk and the risk plan b) And amending it as required c) Or adding new areas of risk as they appear Will lead to the risk plan being: a) Inaccurate b) Known risks not being accounted for c) No plans to address these risks	1	10	10	Risk Plan	Brent	Annual	2020	The Risk Register is monitoring and reviewed by the Scheme Manager and the Pensions Board. Areas of risk are when required: a) Updated b) Amended c) New risks added if identified
4	Risk Area Data Security	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
4.1		External attack, loss of data, locked out of data, poor internal procedures can lead to an increased risk of attack from: a) outside b) or internal fraud	2	10	20	Brent Council Data Security Procedures	Brent	Annual	2020	Procedures on data security in place, systems kept up to date with latest security updates
4.12		Not backing up data regular using secure backup systems	2	10	20	Data Back Up Procedures.	Brent	Annual	2020	Data is backed up on an incremental basis daily and fully backed up weekly, data kept in secure sites.
4.13	Data Security	a) Clean desk policies not being adhered to: b) Cabinets left open or not locked c) Documents left out overnight d) Documents left on colleagues desk when they are away e) Computer not locked when operator leaves their desk	2	5	10	Brent Council Data Security Procedures	Brent	Annual	2020	Possibility of: a) Sensitive data being seen by unauthorised persons b) Data theft c) GDPR breached e) Brent Councils reputation put at risk
4.14		Taking laptops away from desk that are not password protected with encryption, using them on public transport Not storing laptops in secure location when not in use	1	5	5	Brent Council Data Security Procedures	Brent	Annual	2020	This can lead to: a) Large losses of sensitive data b) Unauthorised people seeing sensitive data while on public transport c) Breach of GDPR d) Breach of Councils policies and dismissal from service
4.2	General Data Protection Regulations	General Data Protection Regulations (GDPR) came into effect 25 May 2018, failure to comply with GDPR will lead to: a) Complaints b) Data breaches c) Possible fines d) Loss of reputation	1	10	10	Brent GDPR Policies	Brent	Annual	2020	Brent has GDPR policies in place and publishes GDPR privacy notices: a) Online b) Yammer c) In news letters d) In communications to its members, employers, academy's, maintained schools
4.21		Sending sensitive data by email ensuring it will be sent to the right recipient and encrypted, or using a secure transmission system	2	8	16	Brent GDPR Policies	Brent	Annual	2020	Sensitive data being sent to an unauthorised person or business leading to breach of GDPR
4.3	Cyber Security	Unlawful cyber access or attacks could be serious for a scheme and its members, and could in the end result in identity theft, loss of data or even loss of financial assets	2	10	20	Brent Council Data Security Procedures LPP Cyber Security Procedures	Brent	Annual	2020	Both Brent and LPP have significant cyber security policies and procedures in place to prevent and deter cyberattacks. The impact of a cyber attack could be significant, so it is important for these to be permanently up to date.
5	Risk Area Pension Administration	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
5.1	(Backlog) LPP Pension Administration Post Capita Handover November 2018	Backlog of work from Capita: a) Delay in administrative processing because of incomplete scheme data b) Increased administration costs c) Members benefits being delayed d) Increase in complaints e) Places an unwarranted and costly drain on Brent resources	5	10	50	LPP Shared Service Agreement	Brent	Monthly	Monthly	Backlogs of work from Capita must be cleared as soon as possible, extra resource outside of BAU to be provided by the LPP Plan in place to treat the backlog inherited from Capita is being done as a separate project so resources not take away from BAU administration
5.2	(Scheme Data) Scheme Data Provided to LPP by Capita for: Maintained Schools Academy's Employers	Missing common and Scheme Specific data not provided by employers, maintained schools and academy's leads to delay in progressing administration for members	5	10	50	LPP Data Check November 2018	Brent	Annual	2019	LPP run a test of the data sent by Capita October 2018 Common Data 98% improved from 2017 Scheme Specific data 93% same as 2017
5.3	Record Keeping Planning	Not updating the record keeping plan to take into account changes of circumstances thorough the year could lead to a failure to take corrective action leading to a drop in the quality of scheme data or delays in processing member benefits	5	10	50	RKP 2019	Brent	Monthly	Monthly	Brent record keeping plan to be created to deal with poor common data and scheme Specific data being below requirements as highlighted the LPP November 2018 data check

5.4	(Employer Data) Maintained Schools Academy's Employers Supplied Data to Capita	Failure by Maintained Schools, Academy's, Employers to provide data accurately and on time to the LPP results in poor scheme data held by the LPP	5	10	50	PAS 2018	Brent	Annual	2019	Employers to export data monthly to LPP system highlighting data problems by import validation, also reporting from the admin systems of missing files leads to early indication of employers having data problems Training to be provided to employers by the LPP on using the systems and what LPP requires from employers Revised PAS sets out what employer need to be doing
5.5	Loss of Key Staff Members	Specialist nature of the work means there are relatively few staff members with knowledge of the Local Authority Pensions Regulations and Pensions Administration requirements. Significant knowledge gap left if specialist staff leave, likely to cause short-term disruption.	4	8	32	Training Plan	Brent	Annual	2020	Key Officers to ensure processes are documented and knowledge is being passed on to other members of the team, to ensure limited disruption in the event of an unexpected absence or leaving the position. Training events delivered by external parties are available and staff are encouraged to attend External Support is available to mitigate this risk, both from external advisors and LPP who manage the fund's administration
6	Risk Area Plan Events	Risk Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
6.1	Pension Plan Events Planning	Plan events such as: a) Annual benefits statements b) Year end reporting to the TPR c) Accounting d) Pension increases e) Plan valuations f) All require planning in advance to ensure completion on time	4	10	40	Plan Calendar	Brent	Annual	2019	Plan Calendar to identify events: a) What work is required b) What resources will be used c) Completion and sign off
6.12		Pension projects such: a) GMP reconciliation b) Changes in legislation that needs to be actioned c) GMP equalised for men and woman	5	10	50	Plan Calendar	Brent	Annual	2019	To allow longer term planning for items such as: a) GMP reconciliation b) New legislation coming in to effect c) Ensure Plan events are completed on time d) Prepare for GMP equalisation
6.2	Active Benefits Statements 2018/19	Failure to have the necessary correct and accurate data will lead to: a) Statements not being sent b) Possible delay sending statements whilst this data is obtained and systems updated	6	10	60	LLP Shared Service Agreement	Brent	Annual	2019	Data improvement being carried out under RKP 2019
6.21		Annual Benefits Statement dependant on: a) Common Data b) Scheme Specific data c) Data being improved from the RKP 2019 (RKP 2019 to be finalised December 2018)	5	10	50	LLP Shared Service Agreement	Brent	Annual	2019	Improvement to common and Scheme Specific data being carried out under RKP 2019
6.3	Deferred Member Benefit Statements 2018/19	Incorrect Statuses, no address, missing data to calculate leads to: a) Statements not being issued b) statement inaccurate c) Incorrect valuation and liabilities for the Plan.	5	10	50	LLP Shared Service Agreement	Brent	Annual	2019	Member data is being dealt with under the 2019 Record keeping Plan
6.4	Year End Return	Failure to complete year end return and submit on time leads to fines	2	10	20	PAS 2018 & Plan Calendar	Brent	Annual	2020	All Plan calendar events to be recorded with plans to ensure they are carried out, better planning for EOY with pro active action to get employers to provide data on time in place, 2019 data from employers moves to monthly electronic submissions which will improve the presence of data considerably
6.5	Admission Agreements	Failure to process an admission agreement within the time frames set on in LGPS regulations can lead to transferring employers pension entitlements being delayed, legal issues stopping the agreement from being implemented and costs incurred that can not be recovered	5	10	50	Internal Controls	Brent	Annual	2019	Process for admission agreements to be strengthened
6.52		Not having procedures and processes to processes and monitor agreements are on track and any reason for delayed identified and acted on could lead to delays in implementation of the agreement	5	10	50	Internal Controls	Brent	Annual	2019	Monitoring for admission agreement to be improved
6.53		Oversight of the legal team and ensuring that they are processing the legal agreements in the time set out in the procedures and requirements of admission agreements is a major factor on processing an admission agreement on time	5	10	50	Internal Controls	Brent	Annual	2019	Overseeing of the legal team on admission agreement by the Scheme Manager to ensure no delays and prompt processing of agreement becomes a priority
6.54		Failure to keep to rules and regulation on admission agreement will require this failure to be reported to the TPR	5	10	50	Internal Controls	Brent	Annual	2019	Breaches log to bring attention of failing and lessons learned in processing admission agreements
7	Risk Area Auto Enrolment	Risk Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
7.1	Auto Enrolment	Failure to process auto enrolment on time leads to: a) Member complaints b) Members unable to opt out or in c) Delayed administration d) Possible action by the regulator to improve or be fined	1	40	40	Auto Enrolment Procedures	Brent	2020	2020	Auto enrolment checked monthly for: a) Enrolment b) Opt outs c) Opt Ins d) Auto Enrol Renewal, as part of Brent procedures for pensions and payroll
8	Risk Area Regulatory	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
8.1	Anti Fraud Initiatives Mortality Existence	Benefits paid to people not entitled to benefits from the LGPS	2	5	10	2019 Anti Fraud Plan	Brent	Annual	2020	Administration processes check for fraud
8.2	Pension Board Training	Pension Board members not having the appropriate degree of knowledge and understanding to perform their duties. Pension Board member not having the right knowledge to make informed decisions and challenge Officers of the Council	1	5	5	Pension Board Training Plan	Brent	Annual	2020	Regular training is provided via a training programme for Pension Board members All Pensions Board members to complete and pass the TPR public pensions course online
8.3	Pension Board Conflict Of Interest	Conflicts of interest must be declared in the Register of Interests Failure to declare an interest can lead to serious consequences and pose a risk to the Plan and possibly member	1	5	5	Conflict of Interest Register	Brent	Annual	2020	The register of interests and other relevant documents are circulated to the Pension Board for ongoing review and are published on the Brent Council's website

8.4	Governance	Failure to have good governance plans in place which are reviewed and monitored can lead to: a) Poor administration b) Increased administration costs c) Poor investment outcomes d) Increased levels of risk e) Not understanding what the risks are and having plans to manage the risk f) Statutory requirements not being met such as: g) Annual benefits statements not being produce and sent out h) Pension saving statements not being produce and sent out i) Year end returns late	1	3	3	Multi areas cover governance: a) Plan Rules b) Business Plan c) PAS 2018 d) Scheme Manager e) Pensions Board f) Pensions Sub Committee.	Brent	Annual	2020	Governance is monitored by: a) Scheme Manager b) Pensions Board c) Pensions Sub Committee d) Internal and External Controls
8.5	Failure to make provision for oversight of the administration of the Plan	Failure to ensure that overall oversight is in place and carried out can lead to: a) Breaches of the law b) Poor administration and record keeping c) Unauthorised payments d) Poor administration being allowed to continue e) Failure to meet deadline on time f) Possible fines g) Fraud to occur h) Loss of confidence and reputation for the Council	1	2	2	The Pension Board assists the Scheme Manager in the provision of oversight of how the Plan is administered	Brent	Ongoing	2020	The oversight of the plan is carried out by the Scheme manger with assistance from the Pension Board
8.6	Discretions	A decision to add pension or disregard a reduction on pension for early payment leads to increased costs to the employer	1	5	5	Chief Financial Officer	Brent	Annual	2019	Discretions under review on early retirement with actuarial reduction, Discretions are covered under LGPS Rule 30 (2&5) In preparing such a statement the Council must have regard to the extent to which the discretions are exercised to avoid a loss of confidence in the service provided
8.7	Data Protection Breaches	Breaches not recorded and failure to report a breach to the regulator can lead to fines and loss of reputation	3	6	18	Breaches Log	Brent	Monthly	Monthly	Breaches log to monitor all breaches and report of breached to the regulator Pension Board reviews the breaches log at every meeting
9	Risk Plan Funding & Accounting	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
9.1	The Fund's Assets Insufficient To Meet Long Term Liabilities	Pension Fund Assets not sufficient to pay: a) Pension benefits b) Transfers c) Death benefits d) Could lead to raising of pensions contributions e) Plan has to reduce benefits f) Reassessment of the funding strategy	2	10	20	Public Sector Payroll Controls	Brent	2019	Monthly	Contributions are checked on a monthly basis Overdue Contributions: Employers Academy's Maintained Schools Are actively chased
9.11			1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2019	The next Triennial Review is 2019 and will be reported to the Pension Board and is reviewed to ensure asset allocation is appropriate
9.12			1	10	10	Fund's Funding Level Assessment	Brent	Quarterly	2019	The actuary Hymans Robertson provides regular reports on funding levels
9.2	Impact of McCloud judgement on Long Term Liabilities	Court of Appeal ruling that transitional protections were unlawful on the grounds of age discrimination could increase employer contributions.	5	8	40	Triennial valuation/ Funding Strategy Statement	Brent	Quarterly	2019	Working with the Fund's actuary, Hymans Robertson, to mitigate the impact of this judgement.
9.3	Pension Contributions not Paid by:	Effects the Plans abilities to: a) Pay out benefits b) Braking the law on pension contribution collections. c) Unnecessary costs for chasing for contributions. d) Continuing non payment for pension contributions will lead to: e) Breaches for the payment of pension contribution regulations f) Being reported for breaches as required by law g) Delay benefits beginning paid h) Can lead to delays in accounting for pension contributions	2	10	20	PAS	Brent	2019	2019	Procedures in place to deal with pension contributions not being made or late
9.31	Maintained Schools Academy's Employers	Effects the Plans abilities to: a) Pay out benefits b) Braking the law on pension contribution collections. c) Unnecessary costs for chasing for contributions. d) Continuing non payment for pension contributions will lead to: e) Breaches for the payment of pension contribution regulations f) Being reported for breaches as required by law g) Delay benefits beginning paid h) Can lead to delays in accounting for pension contributions	2	10	20	PAS	Brent	Annual	2019	Engaging with: a) Employers b) Academy's c) Maintained Schools d) With working parties and employer forums e) LPP to provide more support in this area
9.32	a) On time b) Or not at all c) Refusal to pay		2	10	20	PAS	Brent	2019	2019	Contributions are monitored on a monthly basis and late or non payers reported. 2019 Revised PAS to include fines for non compliers
9.4			2	10	20	Annual audit	Brent	Annual	2020	Accounts for the year to 31 March 2019 signed off by auditors Grant Thornton
9.41	Pension Plan Accounting	Failure to comply with accounting regulations will lead to serious consequences: a) Possible fines b) Loss of reputation	1	10	10	Triennial valuations	Brent	Tri Annual	2019	Last triannual was 2016, next triannual valuation 2019
9.42			1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2019	The next triennial review is 2019 and will be reported to the Pensions Committee This is reviewed in line with the triennial valuation to ensure asset allocation is appropriate.
9.43			1	10	10	Fund's Funding Level Assessment	Brent	Quarterly	2019	The actuary Hymans Robertson provides regular reports on funding levels

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Brent

London Borough of Brent Risk Strategy

Brent Risk Strategy July 2018

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1. Introduction

1.1 This is the Risk Strategy for the London Borough of Brent Fund ("the Fund"), which is part of the Local Government Pension Scheme ("LGPS") managed and administered by the London Borough of Brent ("the Administering Authority").

The Risk Strategy details the Fund's approach to managing risk including:

- the risk approach adopted for the management of the Fund, attitudes to risk, how risk is managed and implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

2. Strategy objectives

2.1 In relation to understanding and monitoring risks, the Administering Authority aims to:

- integrate risk management into the procedures, internal controls, and the day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund including, the Pensions Board, maintained schools, academy's, employers and other partners
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice and TPR guidance of risk
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

2.2 To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication
- the Pensions Act 2004
- the Pensions Regulator code of practise 14 as related to risk
- the pensions Regulator Essential guide to the public service code as related to risk

3. Purpose of the strategy

3.1 The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities for improvement and a reduction in risk along with better outcomes for members
- minimise threats

3.2 The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

4. Effective date

4.1 This policy is to go before the Pension Board on 24 July 2018 for approval and will be in effect from that date.

5. Review

5.1 To be viewed quarterly by the Scheme Manager and the Pensions Board and updated as required, or if the risk management arrangements, or other matters included within it, merit reconsideration.

6. Scope

6.1 This Risk Strategy applies to all members of the Pension Board and the Pensions Fund SubCommittee, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund including the Chief Finance Officer (Section 151 Officer), Head of Finance and the Head of Pensions.

6.2 Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee and Sub-Committee members and Board members as required in meeting the objectives of this Policy.

7. Risk Management Philosophy

7.1 The Administering Authority recognises that it is not possible to eliminate all risks. Accepting and actively managing risks is therefore a key part of the risk management strategy for the Fund.

7.2 In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, further joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

7.3 The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

8. CIPFA and the Pensions Regulator's Requirements

8.1 CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

8.2 The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

249B Requirement for internal controls: public service pension schemes

1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed: (a) in accordance with the scheme rules, and
(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A." Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly.

The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the experience of the person(s) performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

8.3 The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Strategy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

9. Responsibility

9.1 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the officers are responsible for ensuring the process outlined below is carried out, subject to the oversight of the Pension Board.

However, it is the responsibility of each individual covered by this Strategy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

10. The London Borough of Brent Pension Fund Risk Management Process

10.1 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.

(1)	Risk Identification
(2)	Risk Analysis
(3)	Risk Control
(4)	Risk monitoring

10.2 Risk identification (1)

The risk identification process is both a proactive and reactive one. Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises overseen by the Scheme Manager, Pension Board, and Pension Sub Committee
- performance measurement against agreed objectives
- monitoring against the Fund's business plan to be available Q4 2018
- findings of internal and external audit and other adviser reports
- feedback from the Pension Board, maintained schools, academy's, employers and other stakeholders
- liaison with other organisations, regional, national associations, and professional groups

Once identified, risks will be documented in the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

10.3 Risk analysis (2)

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

Risk level Reasoning		Likelihood	Impact	Score	Risk Types	Risk Planning	Expected Outcomes
Risk Level	%	1 Least Likely 10 Most Likely	1 Least Likely 10 Most Likely	Likelihood Times Impact			
Low	1 to 20	1	10	10	Risk known	Planned for in advance	Countered by plans and procedures in place if needed
Green Low							
Low to Medium	20 to 50	2	10	20	Risk possible concerns	Monitored	Monitored and plans in action or more actions will be put in place if required
Yellow Low to Medium							
Medium to High	50 to 75	5	10	50	Risk manageable	Managed	Active and pro active longer term plans in place,
Orange Midium to High							
							subject to close monitoring and rapid action if required
High	75 to 100	8	10	80	Risk having a major impact	Planned actions in place	Action plans in place, monitored weekly, longer term before risk will reduce
Red High							

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

10.4 Risk control (3)

The Head of Finance (Pensions) will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur.

Before any such action can be taken, Pension Board and Pension Sub Committee approval may be required where appropriate officer delegations are not in place.

The result of any change to the internal controls could result in any of the following:

- Risk elimination, for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction, for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer, for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's business plan (Due Q4 2018) in relation to any agreed action as a result of an identified risk.

10.5 Risk monitoring (4)

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pensions Board. In monitoring risk management activity, the Pension Board will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- are there any lessons to be learned for the future assessment and management of risks.

11. Reporting and monitoring

11.1 Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on a quarterly basis to the Pension Board.

The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 10 or more) or new major risks (for example, scored 25 or more).

As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Pension Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Strategy on a quarterly basis taking into consideration any feedback from the Pensions Board and Pensions Sub Committee.

12. Key risks to the effective delivery

12.1 The key risks to the delivery of this Strategy are outlined below. The Pension Board will monitor these and other key risks and consider how to respond to them following updates and recommendations from officers:

- Risk management is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately
- Risk plan is not monitored to ensure actions to reduce risk have been taken and new risks that

have been identified are not recorded, monitored and carried out, will lead to risk not being managed in line with Risk Policy


13. Risk Register Appendix A

The Risk Register Appendix A :

- 1 Risk Area Disaster Recovery
- 2 Risk Area Business Continuity Planning
- 3 Risk Area Risk Planning
- 4 Risk Area Data Security
- 5 Risk Area Pension Administration
- 6 Risk Area Plan Events
- 7 Risk Areas
- 8 Risk Area TPA Transition
- 9 Risk Area Regulatory
- 10 Risk Plan Funding & Accounting

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 <p>Brent</p>	<p>Pension Board 22 October 2019</p>
	<p>Report from the Director of Finance</p>
<p>The Pensions Regulator</p>	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 This report presents the outcome of The Pensions Regulator’s engagement sessions with Local Authorities.

2.0 Recommendation(s)

2.1 The board is asked to note the report.

3.0 Background

3.1 As previously reported to the Pensions Board, in Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds, one of which was the Brent Pension Fund. These sessions were sparked as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this. The reviews were to be completed at a high level and were, in the main, based on the Code of Practice 14: Governance and administration of public service pension schemes. Each Fund completed five meetings with TPR on various risk areas:

- Administration, data and communication
- Internal controls and complaint handling
- Contributions, employer compliance and funding affordability
- Pension Board knowledge and understanding, relationship between Board and Scheme manager and conflicts of interest

- Fraud, mitigation of scams and cyber security

3.2 These meetings gave TPR a strong insight into current governance and administration practice and standards at LGPS funds. A number of recommendations are made across each element covered as part of TPR's engagement with funds, and the key points are summarised below.

- **Record keeping** – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.
- **Internal controls** – while taking a holistic view of risk funds should have a risk register in place, that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks
- **Administrators** – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.
- **Member communication** – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.
- **Internal dispute resolution** – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.
- **Pension Boards** – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.
- **Employers and contributions** – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.
- **Cyber security** – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.
- **Internal fraud and false claims** – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

- 3.3 The Brent Fund welcomes the report and endorses TPR's recommendations. Following the conclusion of the engagement sessions, the Fund has implemented all of the recommendations. The full report can be found on TPRs website:

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#0beb0d2047954672b2a73de451ef7eab>

4.0 Financial Implications

- 4.1 There are no specific financial implications associated with noting this report.

5.0 Legal Implications

- 5.1 None arising directly from this report

6.0 Equality Implications

- 6.1 None arising directly from this report

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable for this report.


8.0 Human Resources/Property Implications (if appropriate)

- 8.1 None arising directly from this report

Report sign off:

Minesh Patel
Director of Finance

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	Pension Board 22 October 2019
	Report from the Director of Finance
Brent Pension Fund's approach to Responsible Investment and Environmental, Social and Governance issues	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Appendix A – LCIV Responsible Investment Policy
Background Papers:	▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 This report sets out the Fund's proposed approach to further integrating Environmental, Social and Governance (ESG) considerations into its strategic decision making, in particular it sets out a new package of measures, subject to committee approval, the Fund intends to take in the short and medium term to manage the risk of climate change.

2.0 Recommendation(s)

That the committee:

- 2.1 Note the overall report with regards to position on responsible investment and climate change;
- 2.2 Note the further work proposed with regards to scenario analysis, carbon footprint analysis and consideration of alternative index-tracking funds;
- 2.3 Express their view on membership of the Local Authority Pension Fund Forum.

3.0 Background

3.1 This report is intended to help guide the Fund's approach to current and future investment risks and opportunities that result from the impacts of climate change and subsequently develop the investment strategy to accommodate climate change considerations. In beginning to develop this framework consideration has been given to the requirements placed on Administering Authorities by LGPS Investment Regulations and MHCLG Guidance on the content and coverage of Investment Strategy Statements which shape the regulatory context for funds in relation to their stewardship and responsible investment activities. It is also worth noting the Scheme Advisory Board is shortly due to issue guidance in relation to this subject. The impact of this guidance on the proposals set out in this report will be reflected on when it is published.

3.2 LGPS funds face increasing pressure, from various oversight bodies, to explain how they are responding to climate change risk. The forthcoming guidance on responsible investment is likely to require LGPS funds to explain how they are managing climate change risk. Divestment campaigners continue to subject funds to scrutiny whilst Fund actuaries must take account of professional guidance to consider climate risk in the development of advice on long-term funding strategies.

3.3 The Brent Pension Fund Committee takes Responsible Investment ("RI") seriously. The Committee recognise that Environmental, Social and Governance ("ESG") factors can influence the Fund's ability to achieve long term sustainable returns. This RI commitment is reflected in the Fund's Investment Strategy Statement, which includes the following stated beliefs:

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.

3.4 The Fund also 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; and
- Maximise the returns from investments within reasonable risk parameters.

- 3.5 The ESG criteria of its existing investments are assessed on an ongoing basis, including regular interaction and challenge of the Fund's investment managers (including the Fund's asset pool, London CIV). ESG is also a key consideration when assessing the relative merits of any potential new Fund investments. The Committee has an ongoing education programme in place to increase overall knowledge, including on RI matters and latest industry regulation and guidance.
- 3.6 The Fund has been a strong advocate of responsible investment for many years. This has led to improvements in the understanding how ESG forms part of the Fund's strategic decision making, interaction and challenge of fund managers on their reporting of ESG issues, rather than just purely reporting on financial performance. In recent years this has involved working with the London CIV to develop an overarching Responsible Investment policy, which the Committee endorsed and agreed to adopt in November 2018. This is re-attached as Appendix A for reference.
- 3.7 The London CIV's commitment to responsible investment is particularly important given that just under 90% of the Fund's investments are within the London CIV and in the next 12 – 18 months this is expected to rise to over 95%. In addition, at the Committee meeting of February 2019, strong representations were made to the London CIV to have a senior lead on responsible investment. The Committee welcomes the news that the recent appointment of the Chief Investment Officer, Mark Thompson, will be leading on responsible investment. The London CIV's Responsible Investment Policy is considered to be a good starting point, providing an effective influencing and engagement framework. In particular, it provides a framework for oversight of investment managers. The London CIV has begun to implement the policy which will be the subject of ongoing review and update reports to the Committee and the Board in the light of regulatory and other developments in Responsible Investment.
- 3.8 Despite a clear commitment to responsible investment the Fund is regularly challenged about its approach to responsible investment. The challenges are usually made by individuals or groups that object, often on ethical grounds, to the Fund owning shares in companies operating in certain industries or in certain geographies on the basis that they are too risky to own. Examples include companies operating in the defence industry, the extraction and sale of fossil fuels (coal, oil and gas), the sale of tobacco and/or alcohol, and companies operating in controversial areas of the world.
- 3.9 The issues raised by lobby groups often involve complex social, legal and moral issues. Whilst the Fund is sympathetic to some of the issues raised, its paramount consideration is its own social obligations, which is to pay promised benefits to pensioners.
- 3.10 The Fund's policy on responsible investment is informed by its fiduciary duty to its members and employers, rather than by purely ethical considerations. Accordingly, the Fund does not disinvest from companies for purely non-financial reasons, not least because this could lead to legal challenge. The Fund does, however, believe that environmental, social and governance (ESG)

issues can affect the financial performance of the companies in which it invests. Consequently, it takes these issues seriously and integrates them into the decision-making processes.

- 3.11 The Fund has a policy of engagement with its fund managers rather than a policy of exclusion or divestment. By engaging with the fund managers in this way it aims to improve the sustainability of corporate strategy to the benefit of shareholders, and to the benefit of wider society. In contrast, it can be argued that a policy of divestment passes shares to less responsible share owners, who are less likely to hold management to account.

4.0 Climate Change

- 4.1 It is recognised that one of the most challenging issues of the day is climate change and its effect on the planet and the Fund's investments. The Paris Agreement aimed at keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels. In terms of the impact of this on LGPS funds, at this stage it is only possible to make broad assumptions about what may happen. Policies focused on adaptation in the short-term may give rise to more immediate costs although benefits may be realised in the longer term as there is a lower need for mitigation. Delayed action may increase the likelihood of more extreme climate outcomes and consequently financial loss from physical impacts. There remains considerable uncertainty around the pace and scale of both the policy and market response to climate change.
- 4.2 The important question for the Brent Pension Fund, and thus the Committee is, "how do we achieve long-term sustainable returns and how could climate change risk impact our ability to achieve these returns". This is likely to require a review of the Committee's investment beliefs, and other investment areas (some of which are set out below).

Oversight and governance

- 4.3 There are various governance aspects to consider. One is to encourage the Fund's managers to improve their disclosures and reporting on ESG issues. This strategy has been successful, where over the last year our fund managers have significantly improved their reporting on ESG matters. The quarterly reports from our LCIV fund managers provide a detailed breakdown of ESG activities, including new policies and procedures, voting records and holdings within the investment portfolio in industries which may be considered relevant for ESG considerations. Specifically, these industries are:
- 4.4
- Aerospace and defence
 - Alcohol
 - Gambling
 - Oil & Gas
 - Tobacco
- 4.4 Going forwards these disclosures will be reported as part of the usual quarterly monitoring of Fund activity. Managers will be encouraged to ensure that active

portfolios include positions that maximise the investment benefits, and minimise the risks, from climate change. All Investment Managers will be monitored on their approach to climate change as part of the regular review of the funds.

Scenario Analysis

4.3 Another way of understanding the impact of climate change on LGPS funds is to employ different climate related scenarios. Hymans, the Fund's actuary and investment advisors, are able to model various scenarios to help funds explore these challenging questions. Briefly these are:

- **Green Revolution:** Rapid policy response from government creates the absolute necessity for change which is matched by the deployment of green technologies and ongoing investment in adaptation;
- **Challenging times:** Challenging times reflects delayed policy action. Change is likely to be intermittent at first but is assumed to become more severe in response to growing environmental feedbacks;
- **Head in the Sand:** Policy responses do not prioritise environmental change with corporates largely continuing business as usual type approaches.

4.4 Although different methods can be employed, taking the three scenarios outlined above, it is possible to filter out those funding level projections that fit the economic parameters for each climate scenario. This allows the Fund to illustrate the potential impact on funding level outcomes. By modelling possible outcomes, funds can begin to have more meaningful conversations on climate risk as well as reflecting this in funding strategies and investment arrangements.

5.0 Carbon exposure- awareness, risk and disclosure

5.1 Climate change has the potential to impact all asset classes over the Fund's lifetime. As a result, many assets may be re-priced but the timing of this is uncertain and the impact will vary by asset class depending on factors such as geography and liquidity. There is also uncertainty over the direction and speed of policy changes in this area. To that end, it is proposed to undertake a carbon footprint exercise for the Fund in order to improve its understanding of the Fund's holdings. The exercise will use the latest data on greenhouse gas emissions attributable to global companies. The data collated will be used by officers to direct research and engagement activity with a view to assessing the opportunities and risks related to the shares.

5.2 Officers will work with our investment advisors, Hymans, to scope out this project further and report back to the committee. Following this, recommendations on the measurement of and actions related to carbon emissions will be then presented to the committee for approval. That said, and for the avoidance of doubt, the legal and fiduciary duty of the pension fund committee is to ensure its assets are invested so that the pensions that its members are entitled to can be paid. The final decision over the Fund's investment arrangements, including whether to invest in some low carbon/sustainable funds, will depend upon a number of factors including the

Fund's: investment regulations, objectives, funding principles, ability to achieve economies of scale, and governance arrangements. Any agreed changes will be reflected in the Fund's investment strategy statement.

- 5.3 As described above the Fund does not divest automatically from companies in a certain industry. A number of campaigners who argue for divestment prefer investments to be directed to renewable energy rather than fossil fuels. The Fund is highly aware of the fact that renewable energy will grow its share of the world's energy needs in the future. The Fund has investments in the renewables sector, but only where it sees a good risk-adjusted return that will help to pay pensions. As at 31 March 2019, the Fund had investments of £15m in the renewable energy sector, including onshore and offshore wind, solar and hydro assets, through its private market infrastructure manager. This excludes such investments which may be held in our listed equities and diversified growth funds, as further work is required to analyse each of the underlying investments held with each of our fund managers. This will be done as part of the carbon footprint project described in section 5.1.
- 5.4 As part of the implementation of the Fund's investment strategy, a commitment has been made to invest in the London CIV's Infrastructure fund, expected to take place in November 2019. As part of the design of the portfolio, a minimum of 25% of the Fund's allocation will be invested in renewable projects.
- 5.5 Approximately half of the Fund is invested in passive or tracker funds which holds shares in all of the companies in the relevant index, for example, the FTSE All Share, a practice encouraged by government due to the low fees paid to investment managers. A feature of this tracker fund is that we cannot pick and choose which assets are held. As part of the Fund's 2019/20 responsible investment workplan the Committee will consider other forms of indexation e.g. low carbon strategies.

6.0 Collaboration

- 6.1 Collaboration with other investors has the potential to help influence and improve market best practice standards, as well as strengthening the voice of pension funds. Individual funds engaging with companies on their own are thought to be unlikely to have as much of an impact. Working collaboratively, therefore, funds can maximise their influence on major companies on topics such as climate change, labour rights and other ESG issues. There are a number of collaboration groups in this space, including the Local Authority Pension Fund Forum (LAPFF).
- 6.2 Members received a presentation on the benefits of joining LAPFF at the last committee meeting. Members requested further information on more recent examples of their achievements. These have been provided directly to members and the decision to join the forum has been brought back to the committee.
- 6.3 LAPFF represents the interests of 80 public sector pension fund members, including 6 LGPS Pools, with combined assets of over £230 billion. The Forum

has long been concerned about climate and carbon-related risks to the underlying investment portfolios of member funds.

- 6.4 Should the policies and procedures of LAPFF differ from that of the Fund, the Fund is able to cease membership at any point.

7.0 Financial Implications

- 7.1 If the committee agrees to become a member of the Forum the annual cost will be £9,500 and will be funded by the Pension Fund.

- 7.2 If the committee approves the further analysis proposed by way of this report (scenario analysis and carbon footprint analysis), additional fees will be incurred to deliver the work. These costs, as well as a full project plan, will be presented to the committee for approval at the next meeting once members confirm the objectives and scope of the projects.

8.0 Legal Implications

- 8.1 Regulation 7(2) (e) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to include in its Investment Strategy the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

9.0 Equality Implications

- 9.1 Not applicable.

10.0 Consultation with Ward Members and Stakeholders

- 10.1 Not applicable.

11.0 Human Resources

- 11.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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RESPONSIBLE INVESTMENT POLICY



RESPONSIBLE INVESTMENT POLICY

1) INTRODUCTION

This framework defines the commitment of London LGPS CIV Limited (“London CIV” or ‘the Pool’) to responsible investment (‘RI’). Its purpose is to detail the approach that the Pool aims to follow in integrating environmental, social and governance (‘ESG’) issues in its investments.

We recognise that our clients have a fiduciary duty to act in the best long-term interests of their members. To do so properly requires us to recognise that environmental, social and governance issues can positively and negatively impact on the Fund Solutions provided by the Pool which should be considered in our investment strategies and decision-making processes.

London CIV has considered the guidance provided in the Ministry of Housing Communities and Local Government (‘MHCLG’) paper ‘Local Government Pension Scheme: Investment Reform and Criteria and Guidance’ in the establishing of this policy.

1.1 BELIEFS AND GUIDING PRINCIPLES

The Pool’s RI beliefs and guiding principles underpin its RI approach and are described below.

1.1.1 Beliefs

- a) We believe it is important that we accept and exercise the responsibilities of ownership of all the assets we manage.
- b) We believe that communication and engagement are integral to responsible investment.
- c) We believe that we should hold all our suppliers to account over how they exercise our ownership rights.
- d) We accept that there can be a conflict between the ability to exercise ownership rights when working with other third parties; we will manage this through communication and engagement.
- e) Sometimes assets will be sold over ESG issues; however the LCIV or its partners will only do this on a case by case basis when considering all the facts.
- f) We believe pre-determined divestment on a rules-based approach is contrary to Government guidance and does not form part of this RI policy.
- g) We believe our voice for responsible ownership is loudest when we own an asset.

1.1.2 Guiding Principles

- a) We should set out principles to which we aspire on subjects that all shareholders can agree, for example:
 - Human rights
 - Human slavery
 - Cluster munitions
 - Rule of law
 - Equality
 - Corporate governance
 - Sustainability
 - Climate change
 - Fossil fuel risk
- b) We will require all Investment managers to have an RI policy if the LCIV is to invest with them.
- c) We will make clear to investment managers our consensus views on these matters and ask them to consider incorporating them into their RI policies.
- d) We will ensure that all investment managers operate their RI policies effectively and hold them to account.
- e) An Investment Manager’s inability to operate effectively their RI Policy will be a factor in determining if the LCIV continues to use a manager.
- f) We will produce an Annual RI report for the London CIV.

- g) The Pool also requires investment managers to vote in accordance with the Local Authority Pension Fund Forum (“LAPFF”), other than in exceptional cases, in which case they should explain their reasons for not doing so, preferably in advance of the meeting. This is monitored on a regular basis.

1.1.3 ESG Integration

The Pool believes that

- i) Investing responsibly and engaging as sustainable long term investors reduces risk over time and may positively impact the returns. The London CIV must encourage the underlying funds and companies to consider the long-term impacts of their actions.
- ii) A long time horizon requires that the team consider the impacts of its actions on future generations.
- iii) Effective management of financially material ESG risks should support the Pool’s requirement to protect returns over the long term.

The Pool considers RI to be relevant to investment performance across asset classes.

The Pool recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth.

It is supportive of the UK Stewardship Code and is a Tier 1 signatory to the Code. The Pool encourages investment managers to sign up to the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) where appropriate.

1.1.4 Engagement versus Exclusion

Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.

There is risk but also opportunity in holding companies that have weak governance of financially material ESG issues. Thus, the Pool has a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance stakeholder value, influence that would be lost through a divestment approach. The Pool extends this principle of ‘engagement for positive change’ to the due diligence, appointment and monitoring of external fund managers who are at an early stage of developing their RI approach.

The Pool believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone. This extends to other LGPS pools and other public and private investors.

1.1.5 Fees and Incentives

Managing fees and costs matter in low return environments. Fee arrangements with external fund managers – as well as the remuneration policies of investee companies – should be aligned with the participating funds’ long-term interests.

The Pool recognises that it is part of its fiduciary duty to ensure that there is appropriate alignment.

1.1.6 An Evolving and Flexible Approach

The Pool recognises that RI in the market is changing. This framework will remain flexible and will evolve over time to reflect evolving market developments.

1.2 OVERSIGHT AND APPLICATION

This policy will be reviewed at a minimum annually, or whenever they or the Pool proposes revised RI policies and procedure. The Chief Investment Officer is responsible for policy implementation.

1.3 CONTENT

The RI framework is divided into sections:

- How ESG is interpreted by Asset Class
- What the Pool expects of itself, companies and investment managers with respect to RI.
- How the RI beliefs and guiding principles are implemented in practice.

Definitions are provided in Section 5.

2) ESG BY ASSET TYPE

2.1 LISTED EQUITIES

Responsible investment allows listed equity investors to make better informed investment decisions by integrating all material factors, including material ESG factors, into investment analysis, valuations and decisions. Investment Managers should be voting all proxies and using their influence as owners of companies to ensure shareholder valuation is maximised through considering the impact of ESG factors (both positive and negative) on the value of the organisation.

2.2 FIXED INCOME

ESG analysis provides fixed income investors with additional insight into issuer creditworthiness. Whilst governance influence over fixed income issuers can be less than in equity ownership, investment managers taking sizable positions in capital structures can influence behaviours including ESG factors.

2.3 PRIVATE EQUITY

Responsible investment is naturally aligned to private equity through its long-term investment horizon and stewardship-based style. The Pool will incorporate ESG practices for the selecting, appointing and monitoring of investment managers and direct/co-invest portfolio companies.

2.4 PROPERTY

Property is a long term asset class where ESG is centred on delivering sustainable, long term performance by considering ESG factors within investment decision-making and ownership practices, providing greater insight into potential risks and opportunities that will impact the value, performance and reputation of the investment.

2.5 INFRASTRUCTURE

Long-term infrastructure investors should consider a broad range of possible ESG issues that infrastructure investments might face over the course of the assets' life, in the analysis and assessment of opportunities, and in the ongoing management of investments.

2.6 COMMODITIES

Responsible investment in commodities allows investors to address risks such as: labour rights, human

rights, land/resource rights, waste, water scarcity and pollution levels in assets, such as forests and agricultural land, and companies throughout the supply chain. Applying responsible investment to investments in commodity derivatives can address systemic issues such as volatile prices and unstable markets.

2.7 OTHER ALTERNATIVES

The pool will working with investors, investment managers, industry associations and service providers to incorporate ESG factors into the investment decision-making process of all other alternative investments.

2.8 ENVIRONMENTAL & SOCIAL THEMED INVESTING

Themed investing allows investors to address ESG issues by investing in specific solutions to them, such as renewable energy, waste and water management, sustainable forestry and agriculture, health products and inclusive finance.

3) RI EXPECTATIONS

3.1 POOL

3.1.1 General

The Pool aims to:

- 1) Be aware of and monitor financially material ESG issues in the context of investment and manager selection. Depending on the asset class and nature of the proposed mandate or vehicle, the Pool will monitor:
 - ESG issues in relation to internally managed investments;
 - The extent to which the external managers incorporate ESG issues into their investment processes; and
 - Hold external managers to account for improvement in their ESG performance over a reasonable timeframe.
- 2) Seek to use pooling to facilitate implementation of the environmental, social and corporate governance policy, for example by sharing best practice, collaborating on social investments to reduce cost or diversify risk, or using their scale to improve capability in this area. It will make full use of its ownership rights, including voting and engagement activities. Either directly, collaboratively or through specialist service providers:
 - Hold constructive dialogue with listed companies;
 - Encourage the disclosure by companies of ESG issues; and
 - Participate in the development of public policy on ESG issues.
- 3) Disclose and maintain a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of participating funds' beneficiaries first.
- 4) Keep our stakeholders aware of our RI activities through:
 - making its RI policy documents public, e.g., voting policies, RI policy;
 - providing a summary of the Pool's RI activities for publication in participating funds' annual reports;
 - publishing aggregate voting and company engagement statistics on a quarterly basis

3.1.2 Fiduciary Responsibility

The London CIV acknowledges a need to set out the extent to which social, environmental or corporate governance considerations are taken into account in the selection, retention and realisation of investments. This extends to the need to monitor environmental, social and corporate governance policies to provide a useful tool in managing financial risk, as they ensure that the wider risks associated with the viability of an investment are fully recognised.

However the London CIV also appreciates, as the Law Commission emphasised in its 2014 report on the fiduciary duty of financial intermediaries, that the law generally is clear that schemes should consider any factors financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long-term, dependent on the time horizon over which their liabilities arise. The report went on to state that although schemes should make the pursuit of a financial return their predominant concern, they may take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

As indicated in the DCLG document, the Government's intention is to issue guidance to authorities to clarify that such considerations should not result in policies which pursue municipal boycotts, divestments and sanctions, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government. Investment policies should not be used to give effect to municipal foreign or munitions policies that run contrary to Government policy. This guidance has since been challenged on legal grounds and is currently under review. The London CIV policy will reflect the Government guidelines when this has been finalised.

London CIV acknowledges this fiduciary responsibility of its members and will reflect this obligation in the investment selection process.

3.1.3 Carbon Footprint & Climate Change

The Pool aims to, either directly or through specialist service providers:

- Encourage improvement in the level of disclosure by companies of material climate change impacts through collaborative initiatives;
- Review its fund managers to understand their approach to incorporating climate change considerations and encourage improvements in identifying and assessing the potential impact of climate change;
- Contribute to public policy with regard to climate change as it relates to investment considerations;
- Increase awareness of climate change as it applies to investment decision making through participation in relevant industry forums and collaborative initiatives; and
- Keep up to date on the latest research and thinking on the financial materiality and interconnectedness of climate change within and across asset classes

3.2 COMPANIES

3.2.1 Governance Codes

The Pool expects UK companies to adhere to the UK Corporate Governance Code on a comply-or-explain basis. Further, the Pool has bespoke UK corporate governance guidelines which aim to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards.

The Pool expects companies outside the UK to adhere to international voting principles, recognising local application and development.

3.2.1 Environmental and Social Risks

The Pool expects companies to manage and disclose its environmental and social risks to the extent required for an understanding of the development, position and performance of the company.

There are aspects of environmental and social reporting on which the Pool places particular value given their relevance across all sectors, its holistic approach to risk management, and the view that owners should not micro-manage companies. This is narrative reporting which:

- Sets ESG risks in the context of the whole range of risks and opportunities facing the company;
- Contains a forward looking perspective; and
- Describes the actions of the board in mitigating these risks.

In terms of the specific environmental and social issues to focus upon, the Pool takes a case-by-case sector based approach.

3.3 INVESTMENT MANAGERS

The Pool expects company directors and asset managers to adopt measures to promote both stewardship and long-term decision making. In particular asset managers can contribute more to the performance of business through greater involvement in the companies in which they invest. Adopting such responsible investment practices will prove beneficial for investors and markets alike.

3.3.1 Due Diligence

For each appropriate asset class, the Pool will ensure that managers selected for appointment have:

- An ESG Policy, appropriate policy addressing ESG issues.
- Where relevant managers should be demonstrating active ownership policies or equivalent, articulating how ESG factors are integrated into their investment process. This may include research, active ownership activities or other sources.
- Case studies or examples of where ESG issues have influenced an investment decision
- Where appropriate, information on the process for integrating any third party ESG data into their company financial models, investment strategies and portfolio construction
- RI reporting format
- Whether they are a signatory of the UN backed Principles for Responsible Investment (PRI) and Stewardship Code, copy of their PRI public report and annual assessment scores if applicable.

3.3.2 Appointment

The Pool assesses the ESG capability of a fund manager as a factor within each of the people, process and performance categories. In its decision to appoint a fund manager, the Pool takes a balanced consideration of all relevant factors including ESG. However, the Pool will pay particular attention to adherence to relevant soft regulatory codes, notably the UK Stewardship Code, depending on the market in which it invests.

In practice, this means the Pool would be willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over time. In alignment with our guiding principles on 'engagement versus exclusion', the Pool believes that there is added value in working with them to improve their approach.

3.3.3 Monitoring and Reporting

Each external fund manager is expected to review their ESG policy on an annual basis.

Managers should report at agreed intervals to the Pool on how their RI activities are contributing to improved long-term risk adjusted returns. Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of ESG issues into its investment and active ownership activities.
- How investment and active ownership function are combined to protect and/or enhance shareholder value in the case of equities including
 - How the manager exercised the Pool's voting rights.
 - Any outcomes arising from the manager's engagement with companies and their effectiveness.

4) RI IMPLEMENTATION

The Pool's active ownership approach can be divided into three distinct areas: **voting globally, engagement through partnerships** and **shareholder litigation**. This section briefly outlines the Pool's processes for each.

4.1 VOTING GLOBALLY

Where practical, the Pool requires managers to vote in every single market in which it invests. The Pool will monitor IMs voting records and will expect that an appropriately critical approach is taken to company proposals.

Reference to the Pool's voting policies is provided in Section 2.2 under 'Company Expectations'.

4.1.1 Securities Lending Programme

The Pool does not currently engage in direct securities lending.

4.2 ENGAGEMENT THROUGH PARTNERSHIPS

The Pool uses various engagement platforms to maximise its influence as an active owner in collaboration with other like-minded investors. Where it is possible and practical to do so, the Pool will engage with the other Pools to maximise the effectiveness and the influence of the LGPS assets as a whole. The Pool's primary engagement partnerships are highlighted below.

4.2.1 Local Authority Pension Fund Forum

The Pool is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is the UK's leading collaborative shareholder engagement group encompassing local authority pension funds from across the country. The Pool and its constituent funds are active participants in LAPFF's engagement programs. Membership of LAPFF provides the Pool with:

- 1) independent research and advice on the ESG risks of companies to inform further stakeholder engagement;
- 2) advice on the governance practices of companies;
- 3) A forum to engage with companies to improve governance practices; and

- 4) Proxy voting advice on high-priority issues for annual general meetings.

4.2.2 Industry Engagement

In collaboration with other like-minded investors, notably other LGPS investment pools, the Pool may engage with public policy makers, regulators, trade bodies, indexes and other players in the financial markets to achieve the aim of promoting sustainable growth. The London CIV is a signatory of the UNPRI. The Pool considers these initiatives on a case-by-case basis.

4.3 SHAREHOLDER LITIGATION

The Pool may hold securities that are the subject of individual and class action securities litigation. There are a number of litigation options available when a company has violated securities laws that result in losses to participating funds.

For US based claims, the options would be to:

- remain in the class action and file proof of claim;
- participate as a lead plaintiff in a class action; or
- opt out and file a private action.

For non-US based claims, the options would be to join an existing group action or file a group action as a lead plaintiff.

The Pool takes a case-by-case approach in determining whether or not to join a class action but considers factors such as:

- advantages and disadvantages of the Pool becoming actively involved;
- relative size of the Pool's potential losses compared to other organisations;
- likelihood of success; and
- whether the Pool is fully indemnified against costs, expenses, counterclaims and any other losses.

Where external service providers are used for voting, engagement and shareholder litigation, the Head of Equities will be responsible for ensuring that the quality of service provision is kept under regular review, reporting concerns internally and following up with the supplier. This includes verifying that engagement and voting are undertaken in line with London CIV's agreed RI Framework.

5) DEFINITIONS

5.1 RESPONSIBLE INVESTMENT

The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and active ownership practices in the belief that these factors can have an impact on financial performance. The Pool also supports the PRI's definition of responsible investment which can be found here:

<https://www.unpri.org/about/the-six-principles>

5.2 ESG

Environmental, social and governance factors which may impact on company performance and therefore investment returns. ESG factors encompass a broad range of issues to potentially consider alongside traditional financial factors when assessing investments. No definitive list of ESG issues exists however some examples include resource management and pollution prevention, climate change impacts, labour

management, product integrity, executive compensation, board independence and audit function.

5.3 GOVERNANCE

The process and principles by which a company or organisation undertakes its business. For the Pool, governance includes how it undertakes both its operational and investment responsibilities on behalf of its members.

5.4 ACTIVE OWNERSHIP

Refers to the responsibility of the Pool to participate, where appropriate, in the governance decision making of companies in which it invests by way of voting and by engagement with company management, either directly or via its fund managers. It also recognizes the relevance of engaging with regulatory bodies and other market players to support policies that promote long term sustainable growth.

London Borough of Brent Pension Fund

Q2 2019 Investment Monitoring Report

William Marshall, Partner
Kameel Kapitan, Associate Consultant

The Fund returned ahead of benchmark in the Q2 2019, continuing the strong start to 2019.

Over the quarter the fund grew from just over £856m to almost £896m.

In general the Q2 2019 was another positive quarter. Both risk seeking and defensive assets delivered positive returns:

- The US equity market reached another all-time high
- Credit-spreads narrowed further

There were 3 key contributors to overall relative outperformance:

- Janus Henderson's EM fund
- Ruffer's multi-asset investment
- Capital Dynamics' Private Equity

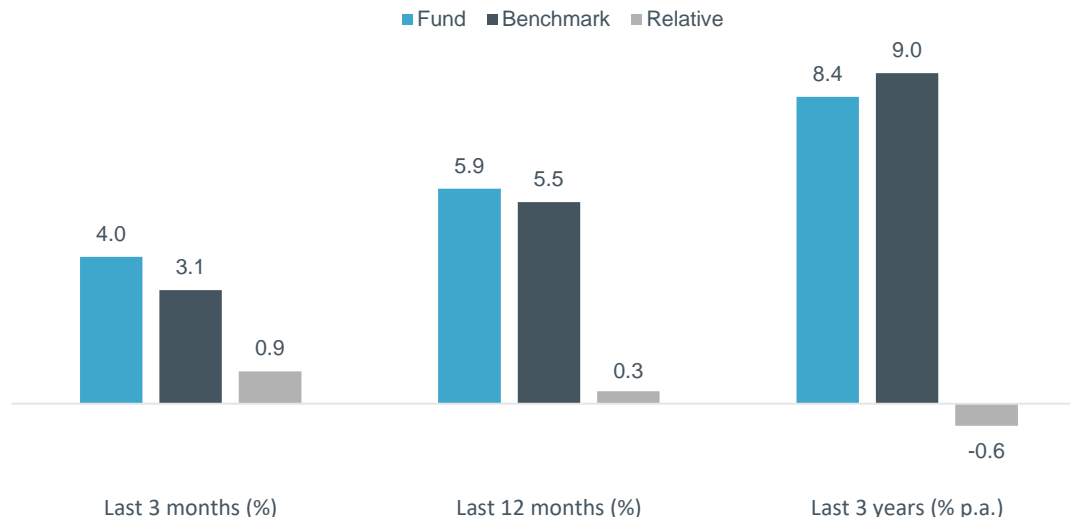
Capital Dynamics infrastructure holdings marginally underperformed but impact at total fund level was negligible.

Key Actions

Delays in the LCIV's property offering may lead Officers and the Committee to consider alternative solutions in the interim period.

Currently the funds are held within Baillie Gifford's diversified growth allocation but discussions are scheduled for Q4 2019 as to whether there are other more appropriate alternatives.

Performance



Manager Rating Changes

There were no changes to any manager ratings over the quarter.

High Level Asset Allocation

"GrIP"	Current (actual)	Interim Target	Long Term Target
Growth (Equity, DGF)	78.9%**	68.0%	60.0%
Income (Property, Infrastructure)	4.2%	17.0%	25.0%
Protection (Bonds)	16.9%*	15.0%	15.0%

*Includes 4.0% currently held in cash. **Whilst on the journey to its interim and long term targets, its has been agreed that the Fund will hold the excess assets within the growth portfolio, most notably the Baillie Gifford diversified growth allocation.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion
	Q1 2019	Q2 2019	
LGIM Global Equity	307.5	328.1	36.6%
LGIM UK Equity	115.4	119.1	13.3%
Capital Dynamics Private Equity	58.0	55.7	6.2%
Baillie Gifford Multi Asset	121.5	122.8	13.7%
Ruffer Multi Asset	48.6	49.3	5.5%
Henderson Emerging Markets	30.3	32.0	3.6%
Total Growth	681.2	707.1	78.8%
Alinda Infrastructure	25.6	26.1	2.9%
Capital Dynamics Infrastructure	11.4	11.6	1.3%
Aviva Property	0.2	0.2	0.0%
Total Income	37.3	37.9	4.2%
CQS Multi Credit	35.5	36.1	4.0%
BlackRock UK Gilts Over 15 yrs	78.7	80.2	8.9%
Total Protection	114.2	116.4	13.0%
Cash	23.5	36.1	4.0%
Total Scheme	856.2	897.5	100.0%

Following the completion of certain strategic changes in the investment strategy within Q1 2019, there were no further changes implemented over the second quarter of the year.

Interim Target:

- Growth: 68%
- Income: 17%
- Protection: 15%

Long-term Target:

- Growth: 60%
- Income: 25%
- Protection: 15%

Key Actions

With the numerous changes to the strategic allocations in recent months there are no expected divestments or new investments in the next quarter.

However, it is anticipated that the Fund will seek to increase its allocation to infrastructure via the London CIV's offering in Q4 2019, subject to the fund receiving the necessary FCA approval.

With delays in the London CIV's property offering, the Fund may seek to explore alternative solutions in the interim period.

These developments in the Fund's planned infrastructure and property exposure are due to be discussed at the Committee meeting scheduled in Q4 2019.

Total Fund return was ahead of Northern Trust's current benchmark/target for Q2 2019 by 0.9% as investments combined to deliver an absolute return of 4.0%.

Equity markets continued the momentum of Q1 with all 3 listed equity holdings posting strong positive quarterly returns.

LGIM's passive global equity fund lead the way in terms of absolute returns, thanks largely to US market performance.

Emerging market equities (Henderson) saw a turn around from Q1 with outperformance of 2.8% against benchmark, the strongest of the Funds holdings.

Ruffer was the better performing of the two multi-asset holdings, marginally outperforming its target of Base Rate + 3.5% p.a. by 0.5%. Baillie Gifford's portfolio returned in line with target.

The only mandate to underperform over the quarter, albeit only marginally, was Capital Dynamics infrastructure holdings. However, at just over 1% of total fund assets, the 0.2% underperformance had minimal impact on overall performance.

The Fund's transition to BlackRock's over 15 yr UK Gilt fund was completed in March 2019. Performance over the quarter has been positive at 2%, in line with benchmark, as we would expect from a passive mandate.

Fund performance

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	6.7	6.7	0.0	11.0	10.9	0.1	14.6	14.6	0.0
LGIM UK Equity	3.2	3.3	0.0	0.7	0.6	0.1	9.2	9.0	0.2
Capital Dynamics Private Equity	4.4	1.9	2.4	16.5	8.0	7.9	15.5	8.0	6.9
Baillie Gifford Multi Asset	1.0	1.1	0.0	2.6	4.2	-1.6	5.3	4.0	1.3
Ruffer Multi Asset	1.6	1.1	0.5	-1.2	4.2	-5.3			
Henderson Emerging Markets	5.9	3.0	2.8						
Income									
Alinda Infrastructure				0.5	8.0	-6.9	-7.1	8.0	-14.0
Capital Dynamics Infrastructure				11.0	8.0	2.8	2.9	8.0	-4.7
Protection									
CQS Multi Credit	1.8	1.2	0.6						
BlackRock UK Gilts Over 15 yrs	2.0	2.0	0.0						
Total	4.0	3.1	0.9	5.9	5.5	0.3	8.4	9.0	-0.6

Hymans Robertson Ratings

There have been two key updates over the quarter:

Baillie Gifford

We still rate their multi-asset strategy as 'Positive', however we have placed the mandate 'on watch' due to upcoming personnel changes (see note to right of chart).

Ruffer

We downgraded our manager rating for Ruffer's multi-asset fund from 'Preferred' to 'Positive' as a result of refinements in our criteria used to assess 'preferred' managers (see note below chart).

All our other manager ratings remain consistent with last quarter.

LCIV Update

Over the period we were also made aware of an update from the LCIV in respect of the multi-asset credit (MAC) Fund.

The underlying manager, CQS, has been placed on watch with the following reasons cited:

- Material staff changes (including the CEO and CFO)
- Concerns over the strategy being adopted (e.g. leverage levels and positioning in response to macroeconomic stimuli.)

LCIV have stressed no immediate action has been triggered by this move, they will simply seek to more closely monitor CQS.

Manager ratings

Manager	Mandate	Hymans Rating
LGIM	Global Equity	Preferred
LGIM	UK Equity	Preferred
Capital Dynamics	Private Equity	Suitable
Baillie Gifford	Multi Asset (LCIV)	Preferred - On-watch
Ruffer	Multi Asset (LCIV)	Positive
Janus Henderson	Emerging Markets (LCIV)	Negative
CQS	Multi Credit (LCIV)	Suitable
Alinda	Infrastructure	Not Rated
Capital Dynamics	Infrastructure	Not Rated
Aviva	Property	Suitable
Janus Henderson	Total Return Bonds	Positive
BlackRock	BlackRock UK Gilts Over 15Yrs	Preferred

Ruffer business update

The rating for the strategy was downgraded from 'Preferred' to 'Positive' in July. The rationale for this downgrade was reclassification of the characteristics we look for from our 'preferred' multi-asset strategies. In particular, we believe that the strategy's high fees are not commensurate to its underlying investments, making it the one of the most expensive multi-asset strategies in the peer group. In addition, while it follows a high conviction approach, we have been disappointed with the delivered returns over recent quarters, particularly through its increased use of protection strategies that have failed to add value. Despite this slight downgrade, we retain conviction in Ruffer's investment approach and believe it remains a good defensive multi-asset strategy.

Baillie Gifford business update

We rate Baillie Gifford Multi-Asset Growth at 'Positive' but 'on-watch'.

Baillie Gifford has announced that Patrick Edwardson, its Head of Multi-Asset, will retire from the firm in April 2020. Edwardson has been at Baillie Gifford since 1998, initially within its equity and bond businesses before founding its multi-asset business alongside Mike Brooks in 2007.

James Squires, a senior member of the multi-asset team has been named as Edwardson's successor as Head of Multi-Asset once Edwardson retires. Baillie Gifford has also announced that Nicoleta Dumitru, a member of the multi-asset team has been promoted to fund manager. No other hires are expected.

We view this as a negative development given Edwardson was the most experienced member of the team and his retirement will result in a material loss of experience across asset classes within the team. We will look to meet with Baillie Gifford to get an update on these developments within the next few weeks and have decided to place the rating 'on watch' in the meantime.



LGIM Global Equity

As noted, global equity markets again performed strongly in the second quarter of 2019.

Consistent with expectations, LGIM's Global Equity mandate matched its benchmark over the quarter, delivering a positive absolute return of 6.7%.

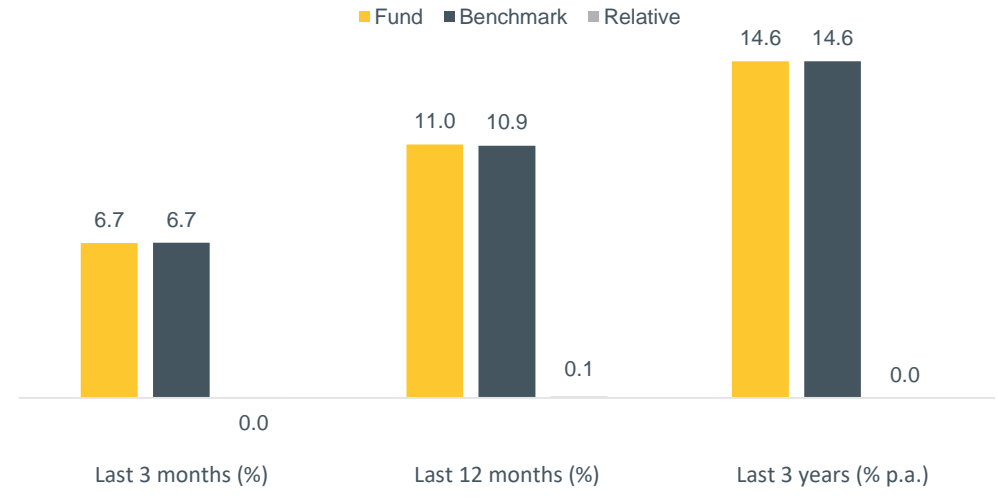
Quarter two saw an increase in volatility within markets. However, a fall in May was more than offset by the gains in April and particularly June as markets reflected the increased dovish stance by central banks, pricing in the possibility of a US interest rate cut in the relatively near future. Global markets were also supported in June by optimism that US-China trade tensions may be easing.

The funds sizeable allocation to the technology sector (15.9%) had a positive bearing on performance, helping to offset sluggish performance in the financial sector where once again the outlook of possible interest rate cuts weighed negatively on returns.

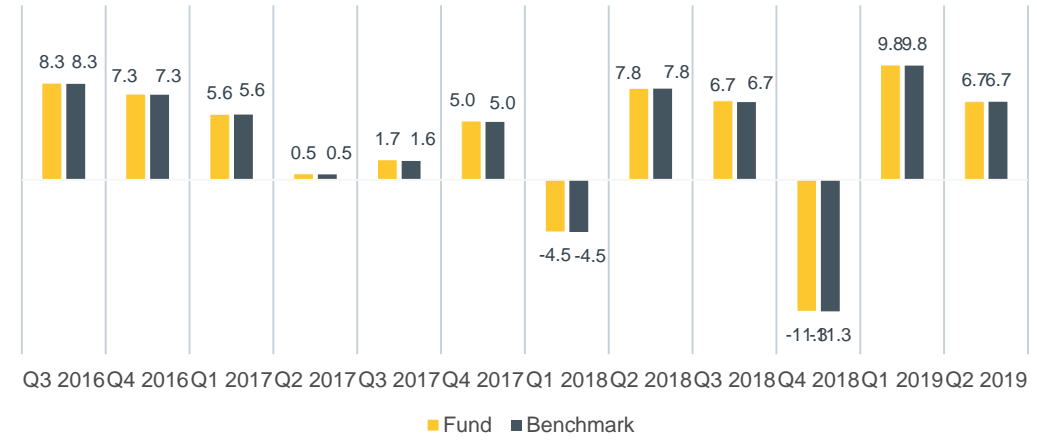
Within the technology sector, Microsoft and online payment providers experienced solid growth in Q2.

We continue to rate LGIM as "preferred".

Fund performance vs benchmark/target



Historical Performance/Benchmark





LGIM UK Equity

The LGIM UK equity fund returned just under benchmark over the quarter delivering an absolute return of 3.2% versus a benchmark return of 3.3%.

Despite ongoing uncertainty and political upheaval, the possibility of a shift back to monetary easing served to buoy the UK market over the quarter.

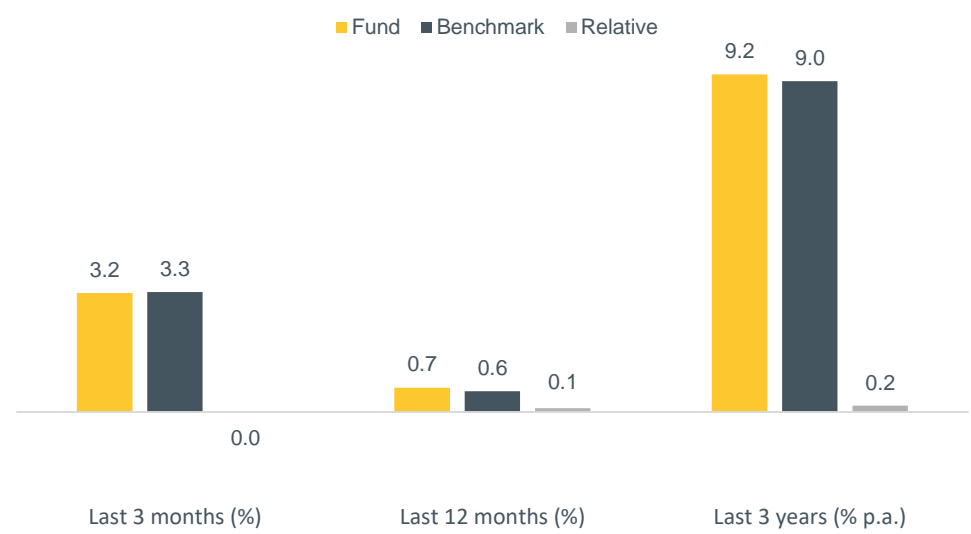
However, in contrast to other central banks, notably the US Fed, the Bank of England has been relatively more coy on the outlook of interest rates within the UK. This more equivocal stance can in part explain the more subdued performance in UK equity markets versus its global counterparts.

In a reversal from quarter 1, the Pound Sterling weakened in Q2 which would have served to boost returns for the internationally biased FTSE index.

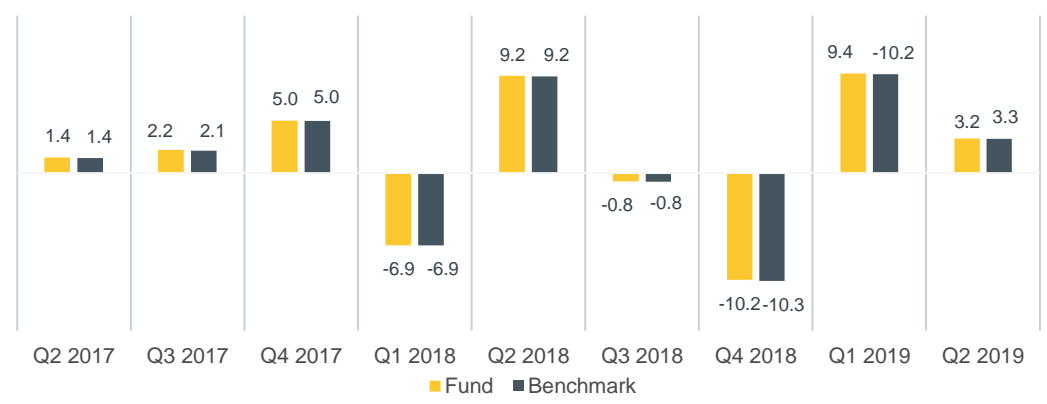
Contributing to positive performance in the index was the financial and the mining sector, specifically holdings in HSBC and Rio Tinto.

We continue to rate LGIM as "preferred".

Fund performance vs benchmark/target



Historical Performance/Benchmark



Henderson Emerging Markets

The funds target is to outperform the MSCI emerging market index by 2.5% p.a.

Henderson's Emerging Markets fund produced a positive absolute return of 5.9% comfortably ahead of the benchmark of 3.0% in Q2 2019. Relative to a target of c3.6%, outperformance was 1.2%.

Given the London on Borough of Brent only introduced this mandate to their portfolio in November 2018, performance attribution over longer periods is not yet available.

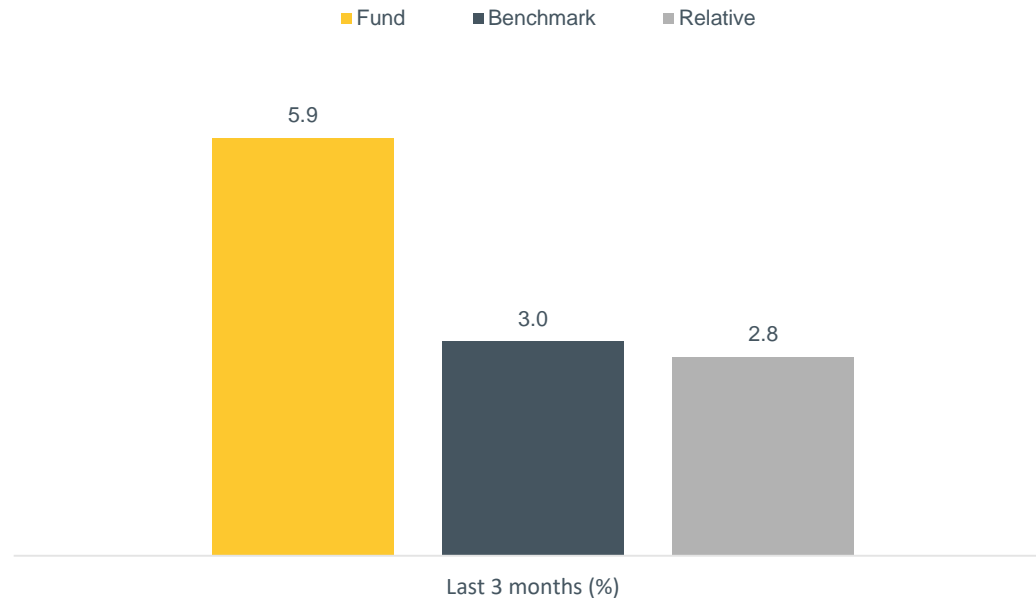
The main contributor over the quarter to outperformance was the holdings in Newcrest Mining, the Australian mining company who make up just over 4% of the portfolio. Gold increased by almost 10% over the period serving to boost revenues for the company.

The Fund's overweight position to the Indian market also helped drive outperformance, in particular its holdings in Tata Consultancy Services who benefited from the increase in demand for its digital services.

We continue to hold a negative view of the fund since the announcement that Glen Finegan resigned from the firm.

Furthermore, we understand, the LCIV is considering appointing a new underlying manager to this sub-fund to replace Janus Henderson in the wake of this news and other strategic concerns.

Fund performance vs benchmark/target



Capital Dynamics Private Equity

Capital Dynamics invests Brent's commitment in a well diversified (by geography and style) portfolio of funds.

Target: Absolute return of 8.0% p.a.

Assessing short and medium term performance of private markets can be a challenge. The comments below are based on numbers available to us.

Capital Dynamics PE fund returned absolute 4.4% over the second quarter of 2019. This is a reversal in the short-term evaluated underperformance from quarter 1; 3 month performance was 2.4% ahead of its 8.0% p.a. target (1.9% per quarter).

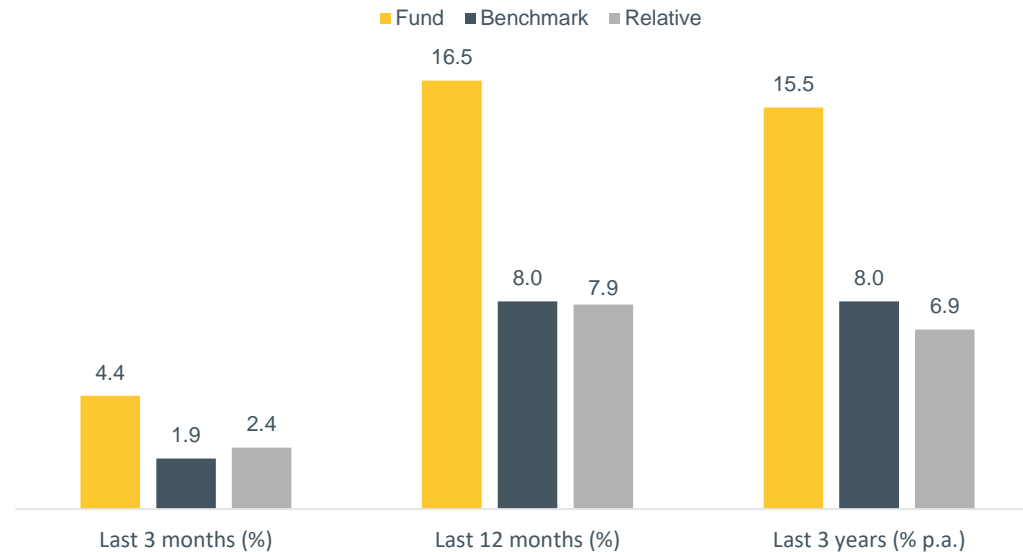
Over a 3 year timeframe annualised return remains strong and ahead of target. Over 1 and 3 year timeframes, fund return has been 16.5% and 15.5% respectively versus its 8% p.a. target.

Six distributions were made over Q2 2019 for the following amounts:

- USD 648,000
- USD 968,000
- USD 1,204,000
- EUR 607,500
- EUR 784,000
- EUR 1,002,000

To date we are aware of 4 distributions since quarter end. These will be detailed in the Q3 report.

Fund performance vs benchmark/target





Baillie Gifford Multi-Asset

Target: Base Rate + 3.5% p.a.

Baillie Gifford's multi-asset growth fund returned 1.0% in Q2 2019, broadly in line with target.

Although not as strong a performance as Q1, this represented a second consecutive quarter of positive return and helping to keep longer term performance ahead of target.

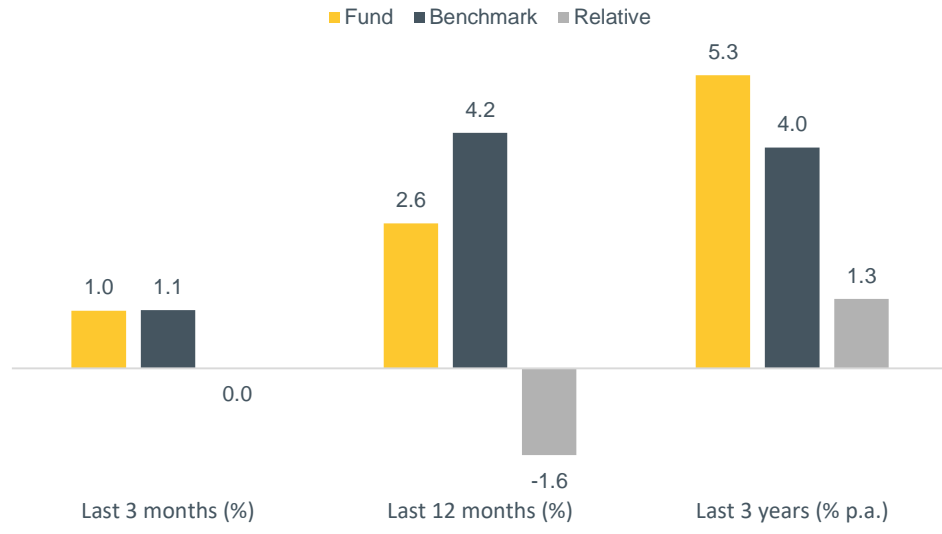
Over a 3 year period, annualised returns are 5.3% versus a current target of 4.0%.

The defensive changes implemented last quarter were the main reason for the more subdued performance. In a quarter that saw increased volatility, the defensive nature did help curb losses when markets fell in May. However, this meant the fund did not fully partake in the subsequent rebound in June.

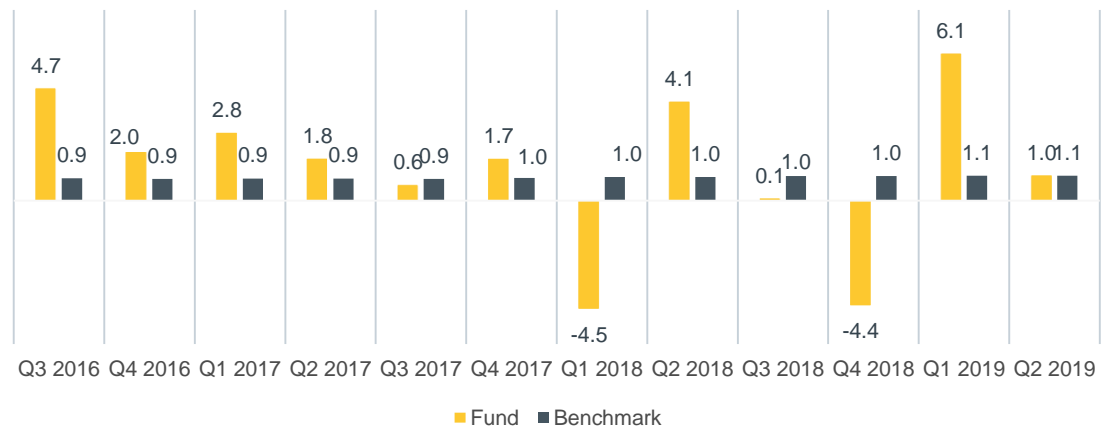
The manager continues to believe they are well positioned to perform well in a period of moderate growth and inflation and has positioned the fund accordingly.

We continue to rate Baillie Gifford as 'Positive' but have placed the fund 'On Watch'. See update on 'Manager Ratings' page for more details.

Fund performance vs benchmark/target



Historical Performance/Benchmark





Ruffer Multi-Asset

Target: Base Rate + 3.5% p.a

In the second quarter of 2019, the Ruffer Multi-asset fund generated an absolute return of 1.6%, ahead of its base rate + 3.5% p.a. target which equated to 1.1% for the quarter.

12 month performance remains negative and substantially behind the funds target.

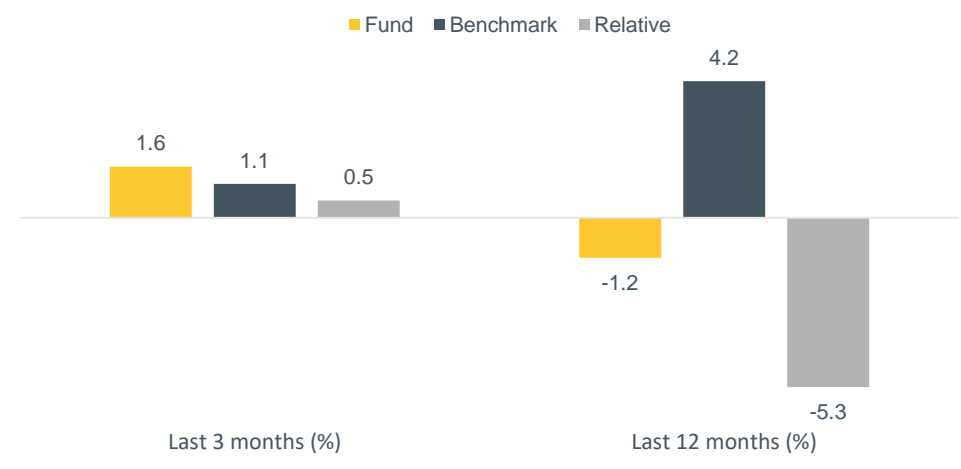
The Ruffer multi-asset strategy is defensive in nature and the manager has high conviction in its protection strategies.

These protection strategies are implemented through the use of credit default swaps, Japanese equities and S&P puts at present. To date, such strategies have failed to yield the necessary results, highlighted by the Q4 2018 performance.

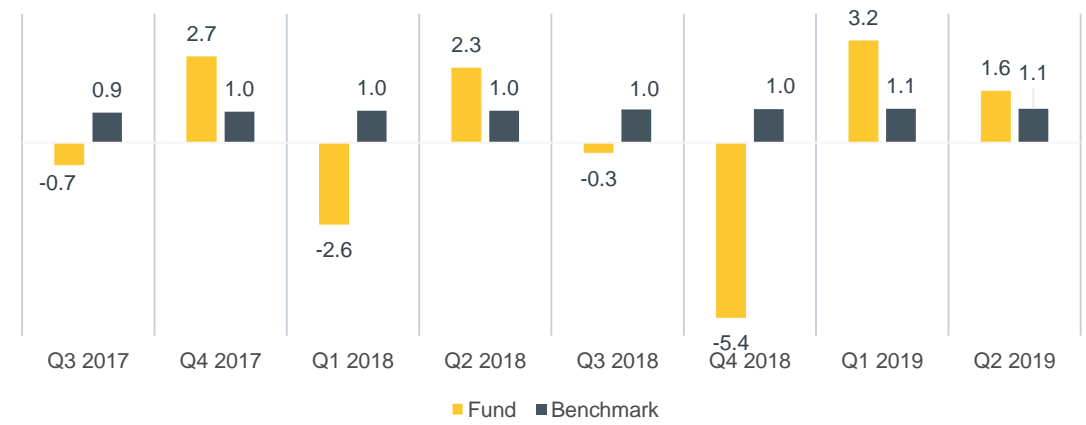
The manager moved to reduce its allocation to economically sensitive stocks over the quarter, hinting at a view of moderate future growth.

In holding this allocation, the Fund aims to benefit from a more certain risk/return profile. Recent performance has improved and we remain positive about Ruffer's investment approach, albeit we have downgraded our rating over the period. See 'Manager Ratings' page for more detail.

Fund performance vs benchmark/target



Historical Performance/Benchmark





Alinda Infrastructure

The Fund is invested in two fund with Alinda, Alinda II and Alinda III. Target absolute return is 8.0% p.a.

Following the completion of its 7th acquisition for the Alinda III fund in quarter one there were no new investments over Q2 2019 in either fund. Commitment level in Alinda III remains at around 75%.

The remaining capital commitments are as follows:
 Alinda II: USD 3,759,741
 Alinda III: USD 13,871,251

Following discussions with the manager we anticipate one call for the Alinda III fund in Q3, likely by the end of September 2019. The funds share of this call would in the region of USD 2.8 million. This call relates to the Maurepas Pipeline LLC investment by the manager.

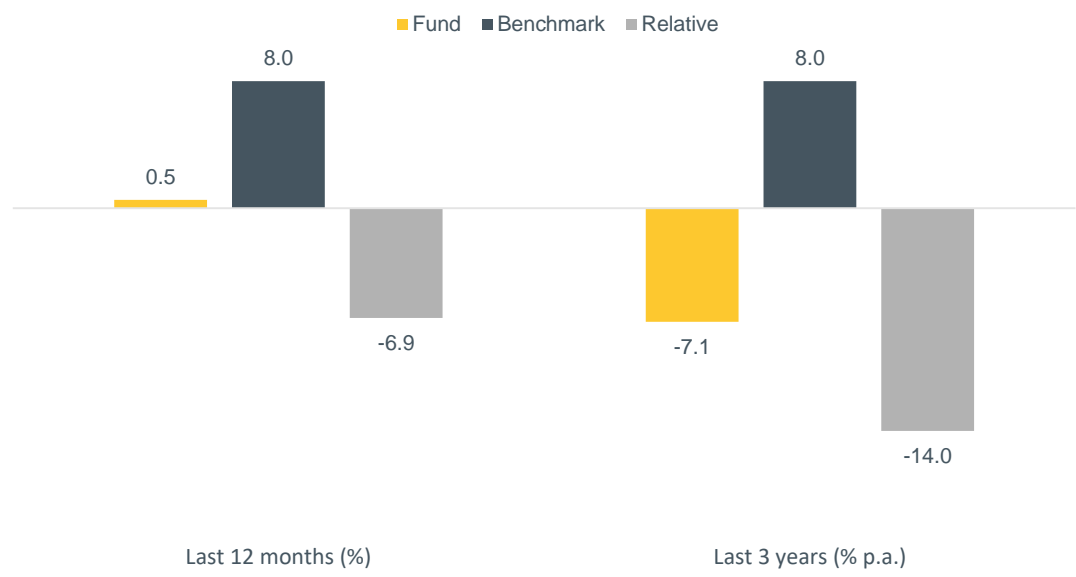
The following net distributions were made over the quarter:

Alinda II: USD 205,291
 Alinda III: USD 345,632

The manager continues to expect the Alinda III fund to deliver 12.2% cash yield per annum for the next 5 years.

Assessing short and medium term performance of private markets can be a challenge. The return figures are based on numbers available to us.

Fund performance vs benchmark/target





Capital Dynamics Infrastructure

The Fund's holdings are currently solely held within Capital Dynamics Clean Energy and Infrastructure Fund.

Target: Absolute return of 8.0% p.a.

No investments were made over the quarter. Of the original capital commitment of \$15m, \$14.67m has been committed.

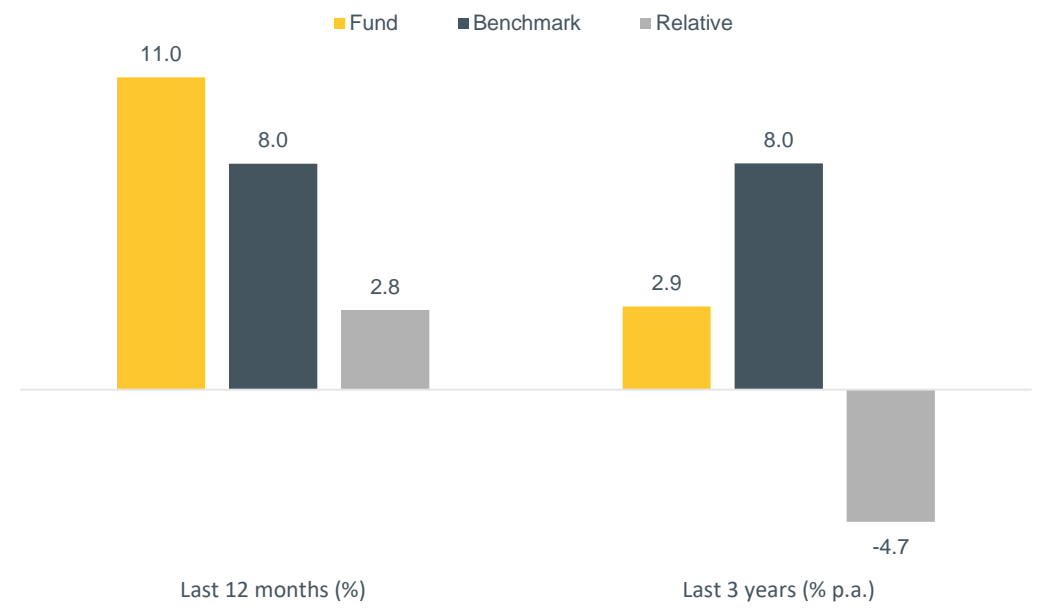
We are not aware of any expected commitment calls over the next quarter.

There were no distributions over the period.

Note, infrastructure is a long term investment and short term volatility is to be expected as funds are gradually drawn down. Over the longer term however, we should expect more stable, predictable returns.

Assessing short and medium term performance of private markets can be a challenge. The return figures are based on numbers available to us.

Fund performance vs benchmark/target



CQS Multi Credit

CQS forms part of the London CIV's multi asset credit offering

CQS's objective is to return LIBOR + 4-5% p.a. over a rolling 4 year period.

This mandate has manoeuvred the Fund towards its long term strategic allocation. Its defensive based multi-asset credit strategy offers diversification and downside protection in periods of market volatility.

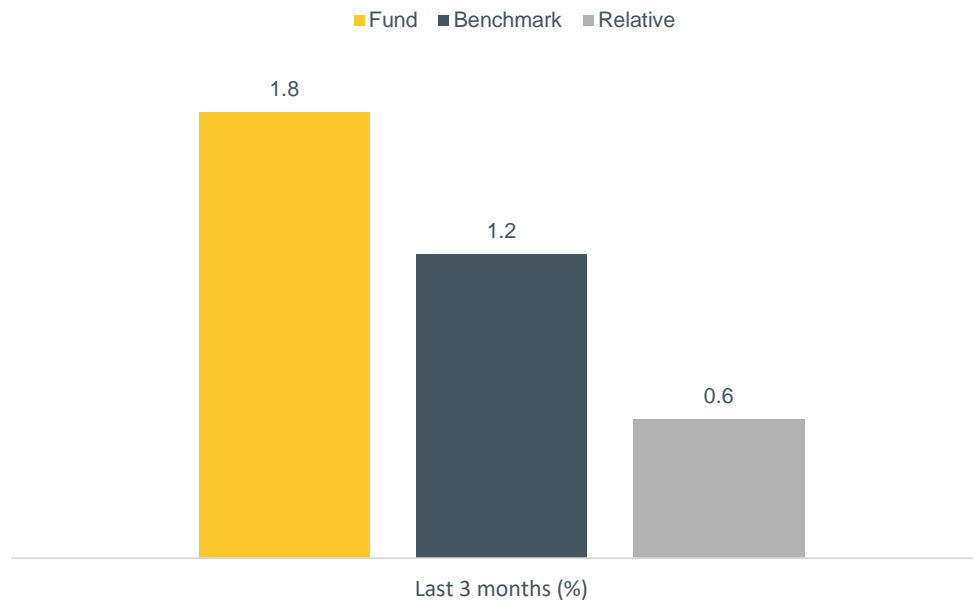
In Q2 2019, the fund returned 1.8%, ahead of target. Relative performance has been measured against the lower bound of LIBOR + 4% p.a.

The funds allocation is dominated by loans (c50%). As such, this was the key contributor as both the US and European loan markets performed well. In particular, the European market posted its sixth consecutive positive month.

High Yield debt delivered the highest absolute return and with an increased weighting of 18% by quarter end (previously around 13%), was the second highest contributor to overall performance.

We continue to rate the manager as 'Suitable'. However, we are aware that the London CIV has placed the manager 'On Watch'. See 'Manager Ratings' page for more detail.

Fund performance vs benchmark/target





BlackRock UK Gilts Over 15Yrs

BlackRock's UK Gilts Over 15 Yrs fund is a new mandate within the Fund, having been introduced in March 2019 following the sale of its holdings in Henderson Total Return Bonds fund.

This forms part of the Funds protection allocation within the overall strategy.

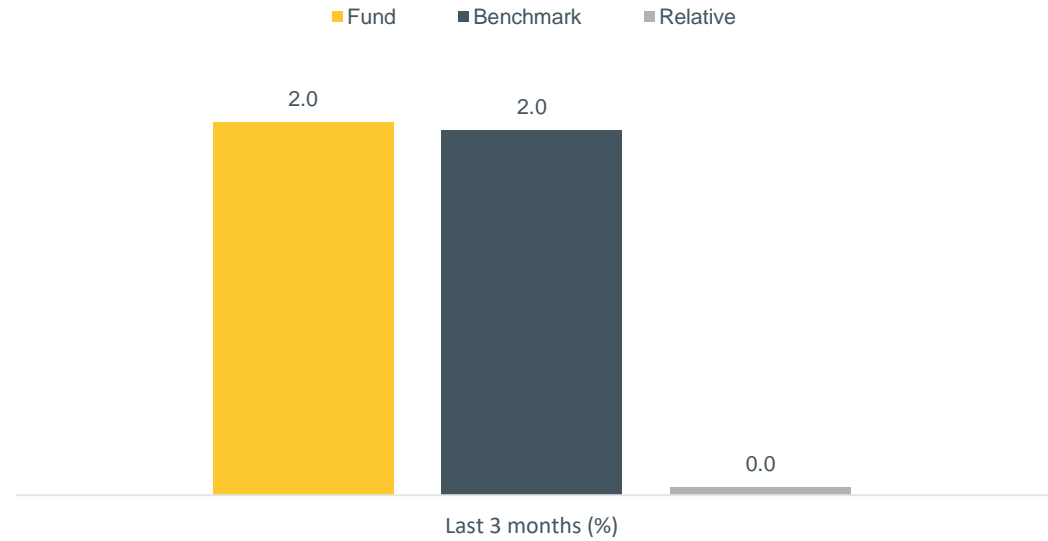
It is a passively managed mandate aimed at matching the FTSE UK Gilts Over 15 Yrs index.

In its first full quarter as part of the portfolio, the fund performed well returning 2.0%, matching benchmark expectations.

Quarter 2 2019 saw a continuation of the fall in government bond yields witnessed in Q1, albeit at more moderate levels.

As a manager within the protection universe we rate BlackRock as 'Preferred'.

Fund performance vs benchmark/target



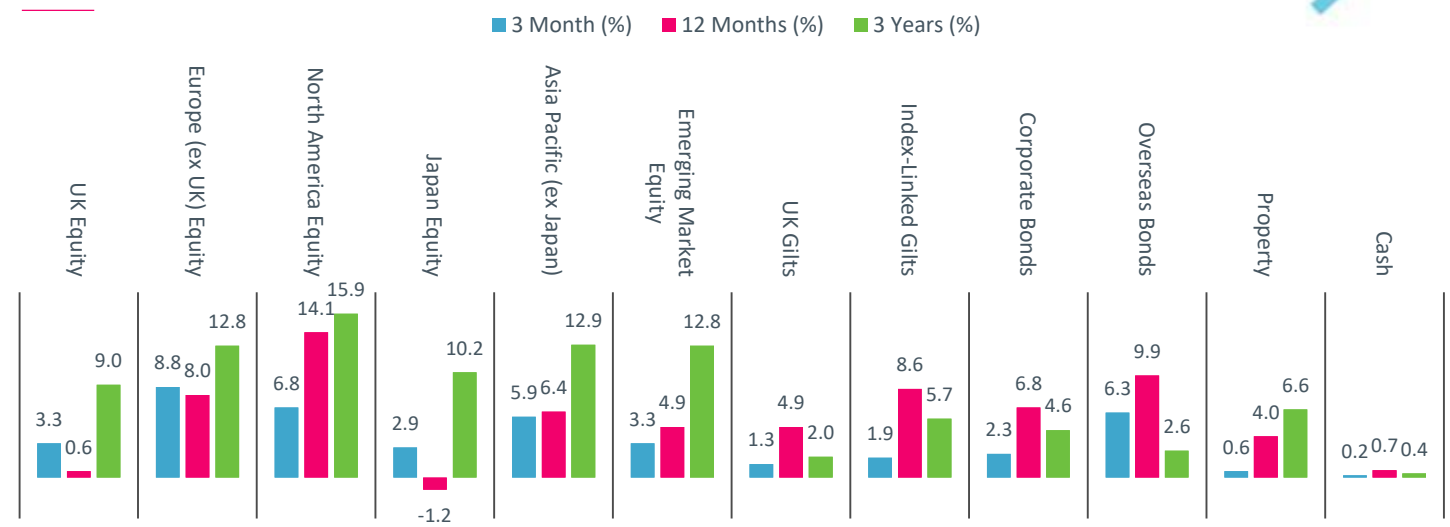
Page 103

While US GDP growth remained resilient in Q1, Q2 data suggests a large share of this growth was spurred by inventory building amid trade uncertainty. Indications in the UK also suggest that the economy might stagnate or even contract in the second quarter as stockpiling provided a temporary boost to Q1 figures. Weaker external demand has impacted the large export and manufacturing oriented portions of the Eurozone and Japanese economies. Amidst the heightened UK political uncertainty, Sterling has depreciated against the major developed currencies over the quarter, weakening by around 3.5% in trade-weighted terms.

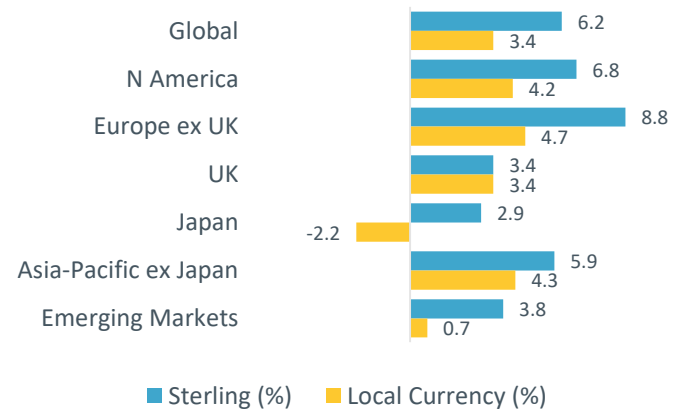
A shift in the messaging from global central banks towards looser monetary policy to support their economies, if required, has been well established. The Bank of England has been more equivocal, reluctant to commit to tightening or easing amidst the Brexit uncertainty. In the US, markets continue to price in a greater extent of interest rate cuts than the most recent Fed rate-setter's voting intentions suggest.

It was a positive quarter for financial markets with both risk seeking assets and government bonds delivering a positive return to investors. Yields on UK conventional gilts and index-linked gilts continued to fall over the quarter with the later touching new record lows in early June.

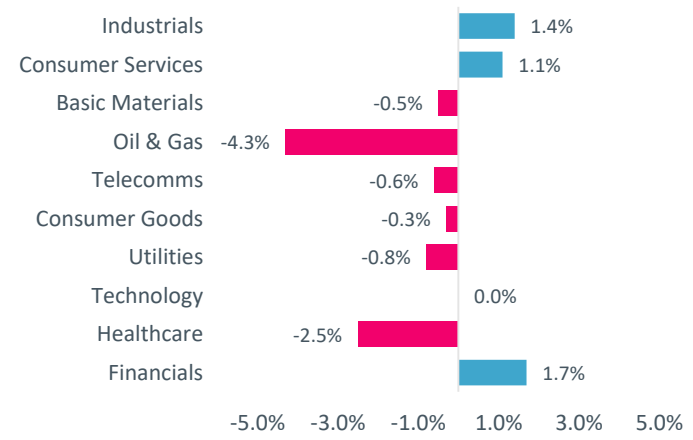
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices [3] Relative to FTSE All World Indices.

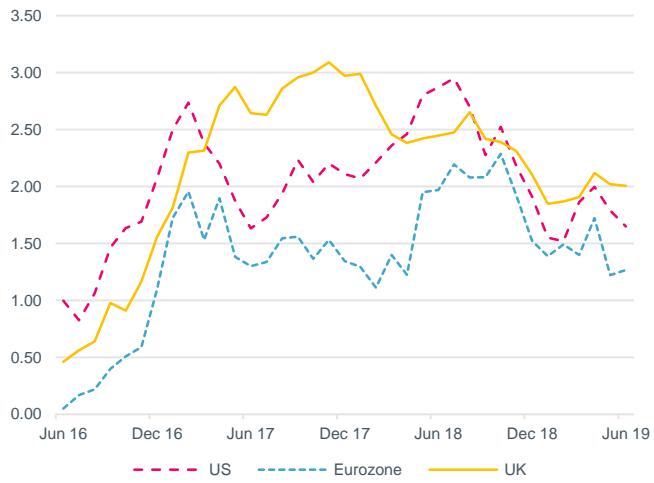


Global credit markets largely ignored the escalation in US-China trade tensions and the potential negative implications for growth as spreads continued to narrow over the quarter. The picture was more mixed across sub investment grade credit markets with European high yield experiencing the greatest tightening in spreads across corporate credit markets.

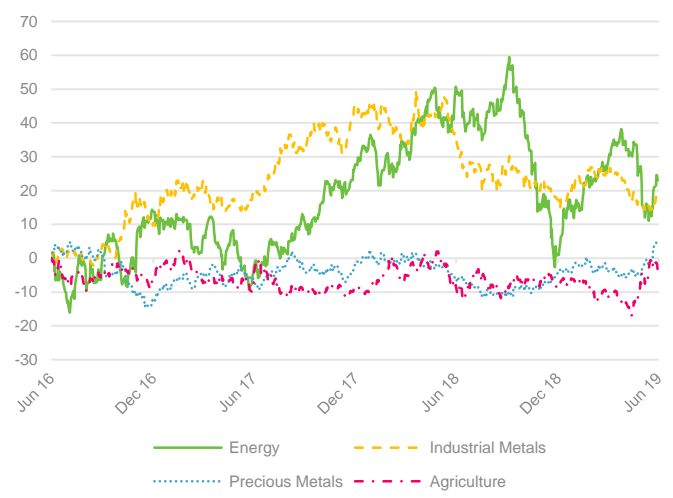
The equity market momentum of the first quarter of 2019 continued in Q2. After a brief pull-back in May, equity markets recovered in June and the US market reached another all-time high. The equity rally was broad-based, with most major equity regions producing strong returns. European (ex UK) equities were the best performing region in local currency terms as financials posted strong returns, while Japanese and Emerging Market equities lagged global indices. Japanese equities have been hindered by the strength of the yen, while Emerging Market equities suffered from their exposure to global trade.

In the two months to the end of May, UK property produced total returns of 0.5%, with the return from income more than offsetting a fall of 0.4% in the capital growth index. Rental growth has been flat over the period.

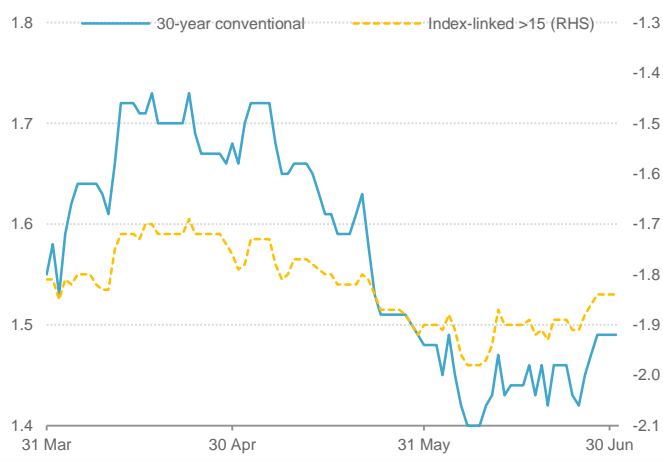
Annual CPI Inflation (% p.a.)



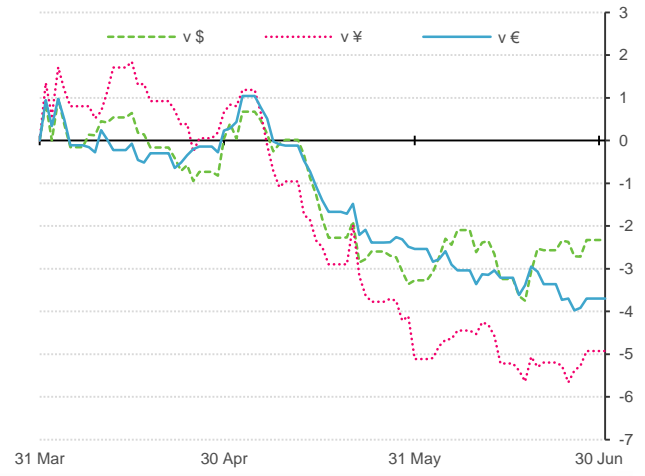
Commodity Prices



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: Reuters

Appendix

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.


In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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Hymans Rating System	
Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Rating System	
Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

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 Brent	Pension Board 22 October 2019
	Report from the Director of Finance
Brent Pension Fund: Annual Report and Accounts 2018/19	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	1
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

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

2.0 Recommendation

2.1 The Committee is recommended to note this report.

3.0 Detail

3.1 The accounts (Appendix A) have been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) governing the preparation of the 2018/19 financial statements for Local Government Pension Scheme funds. The audited accounts aim to give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019.

3.2 The main items to note are as follows:

- There have been no major changes to the Audited Annual Accounts since the submission of the Draft Annual Accounts. Only minor changes and additional clarifications have been made.
- 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 £831.1m to £856.4m.
- Total contributions received from employers and employees totalled £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, totalled £45.9m, an increase on the previous year's £38.9m.
- As in 2017/18, the Fund is in a positive cash-flow position because its contributions exceed its outgoings to members.

3.3 The annual accounts have been audited since the draft accounts were presented to the committee at the previous meeting. Only minor amendments and additional clarifications were made to the draft accounts. The draft pension fund annual report is currently in the process of being audited and is due to conclude in early October. To date no major queries have been raised by the auditors.

4.0 Financial Implications

4.1 Not applicable.

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.


8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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 Brent	Pension Board 22 October 2019
	Report from the Director of Finance
Review of Fund benchmarks and performance targets	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	1. Fund Benchmarks and Targets by Hymans Robertson
Background Papers:	▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 The purpose of this report is to review the Fund's investment benchmarks and performance targets at an individual asset class level.

2.0 Recommendation

2.1 The Committee is recommended to note this report and comment on the proposed changes to the Funds investment benchmarks and performance targets.

3.0 Detail

3.1 A benchmark is a standard against which performance of a fund is compared against. The Fund requires Benchmarks so that 'gaps' or problems with performance can be identified and performance improvements can be achieved through investigating causes and identifying the best solutions.

3.2 The Fund's investment advisors, Hymans Robertson, produced a report (set out in Appendix 1) summarising recommendations to the Fund's benchmarks and performance targets.

3.3 The main items from the report to note are as follows:

- Traditional Benchmarks are based on either market indices or peer group performances. Hymans Robertson have recommended to use market indices as a benchmark rather than peer groups, although the overriding consideration is that the benchmark should be suitable for the purpose employed.
- In many cases, the current benchmarks in place are in line with recommended targets, therefore no change is proposed.
- At an individual asset class level, it is proposed to adopt new benchmarks and performance targets set against Capital Dynamics Private Equity, Baillie Gifford Multi Asset, Ruffer Multi Asset, Alinda Infrastructure, Capital Dynamics Infrastructure and LCIV CQS Multi Credit. Further details are set out in Appendix 1.

Mandate	Current benchmark	Proposed benchmark	Proposed performance target
LGIM Global Equity	FTSE All-World Developed Markets ex UK	No change	No change
LGIM UK Equity	FTSE All-Share	No change	No change
LCIV Emerging Markets	MSCI Emerging Markets Index	No change	MSCI Emerging Markets Index +2.5% p.a.
Capital Dynamics Private Equity	Absolute Return of +8% p.a.	MSCI All World +1% p.a.	MSCI All World +3% p.a.
Baillie Gifford Multi Asset	BOE Base Rate +3.5% p.a.	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.
Ruffer Multi Asset	BOE Base Rate +3.5% p.a.	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.
Alinda Infrastructure	Absolute Return of +8% p.a.	CPI +2% p.a.	CPI +6% p.a.
Capital Dynamics Infrastructure	Absolute Return of +8% p.a.	CPI +2% p.a.	CPI +6% p.a.
LCIV CQS Multi Credit	LIBOR +4-5% p.a.	LIBOR +2% p.a.	LIBOR +4% p.a.
BlackRock UK Gilts Over 15 years	FTSE UK Gilts Over 15 years	No change	No change

- Subject to comments from committee members, it is proposed to incorporate the changes in the next Quarterly Reporting of Fund activity.

4.0 Financial Implications

4.1 These are discussed throughout the report.

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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Fund benchmarks and targets

Introduction

This paper is addressed to the Officers of the London Borough of Brent Pension Fund (“the Fund”). It reviews the Fund’s investment benchmarks and performance targets at an individual asset class level. It should not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety. We accept no liability to any other party unless we have accepted such liability in writing.

Executive summary

The table below shows our recommended benchmarks and performance targets. In many cases, these are in line with the current approach. This table is then separated by asset class, along with accompanying rationale, in the subsequent sections of the paper. The Fund’s legacy holding with Aviva Property has not been included in our analysis due to its immaterial size (it has almost entirely been sold). Please see comment on page 5 in relation to property as an asset class.

Mandate	Current benchmark	Proposed benchmark	Proposed performance target
LGIM Global Equity	FTSE All-World Developed Markets ex UK	No change	No change
LGIM UK Equity	FTSE All-Share	No change	No change
LCIV Emerging Markets	MSCI Emerging Markets Index	No change	MSCI Emerging Markets Index +2.5% p.a.
Capital Dynamics Private Equity	Absolute Return of +8% p.a.	MSCI All World +1% p.a.	MSCI All World +3% p.a.
Baillie Gifford Multi Asset	BOE Base Rate +3.5% p.a.	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.
Ruffer Multi Asset	BOE Base Rate +3.5% p.a.	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.
Alinda Infrastructure	Absolute Return of +8% p.a.	CPI +2% p.a.	CPI +6% p.a.
Capital Dynamics Infrastructure	Absolute Return of +8% p.a.	CPI +2% p.a.	CPI +6% p.a.
LCIV CQS Multi Credit	LIBOR +4-5% p.a.	LIBOR +2% p.a.	LIBOR +4% p.a.
BlackRock UK Gilts Over 15 years	FTSE UK Gilts Over 15 years	No change	No change

We recommend that the above changes are discussed on our September monthly call with a view to incorporating any new benchmarks and targets with effect from Q3 2019 reporting.

Background

Benchmarks

A benchmark is a standard against which performance of a fund, a portfolio or another benchmark is compared. Most benchmarks are based on either market indices or peer group performance. Other types of benchmark are encountered, most commonly in alternative asset classes, where neither indices nor peer group results are readily available. These are typically expressed as premiums over cash or inflation – intended to describe the long-term returns expected rather than short- or medium-term patterns of performance.

Our general view is that indices are preferable to peer groups, although the overriding consideration is that the benchmark should be suitable for the purpose employed. Where some compromise needs to be made in benchmark selection, care has to be taken in the interpretation of returns. If, for example, an index based on listed assets is used as a benchmark for unlisted investments, the short-term performance of the benchmark is likely to be more volatile than that of the investments. Where a cash-based benchmark is used, it will not capture the short- to medium-term trends in the asset class.

Benchmarks can be used in various contexts. We distinguish a few of the possibilities below:

- At a strategic level, benchmarks can define the nature of the return and/or risk expected. So, for example, a broadly-based UK index, such as the FTSE All-Share Index, would be a suitable strategic benchmark for a UK equity exposure.
- Benchmarks can define the structure of the intended investment in a particular asset class. Thus, a Fund can have an aggregate equity benchmark for instance, made up of a combination of regional equity indices weighted by the target exposures to each region. We would describe this as a structural benchmark.
- Benchmarks can be portfolio-specific – used to test the performance of a particular manager. In this case, a performance target, a minimum level by which the manager is expected to outperform the benchmark over the long term, will also usually be specified.

Generally, suitable market indices (or appropriate combinations) make for the best benchmarks. For alternative asset classes, such indices are not always available. Our preference is then to search for a related index and, if necessary, adjust to reflect any systematic differences between the portfolio investments and the universe represented by the index.

Another approach is to use a proxy for the long-term return expected from the asset class, usually expressed as a premium over either inflation or cash returns, as a benchmark. The approached proposed later for the Fund's multi-asset funds and private markets are examples of this.

Performance targets

For some asset classes, there is a choice between active and passive management; for others, active management is the only option. Nevertheless, whenever portfolios are actively managed, there will generally be an expectation that the manager will deliver performance in excess of the underlying market return (so-called 'alpha').

Where the targets are zero, the portfolios are passively managed. Where there are non-zero performance targets, we make some specific comments in the following section. This is a simpler process when looking at the more traditional asset classes, where the number of portfolios is smaller and there is a typical 'industry-standard' range of performance targets. It is also easier to specify a performance target when the actual returns from a portfolio or asset class can be tested against the underlying return on a suitable index.

The key principle is that the performance target should broadly reflect the nature of the investments selected rather than some predetermined number. That said, we would view a target in excess of 2-3% p.a. ahead of the benchmark across an asset class as a whole as representing a relatively high-risk approach to implementation. That may be perfectly acceptable, but it should certainly be deliberate.

For alternative asset classes, there may be no index available or it may be decided to adopt a non-index benchmark. In these cases, we think the most important thing is that the chosen benchmark should reflect expectations about the overall return expected from the asset class. It is more difficult to unbundle this overall return into an underlying market return and a return to manager skill.

However, it should be understood that the actual returns generated will include some contribution from the success or failure of the chosen managers. Generally, we think it is right to be cautious about the achievement of performance targets. They should certainly be seen as a guide to the riskiness of portfolios and the extent to which short-term returns might diverge from the benchmark. They should also reflect the genuine aspirations of the Fund and managers. But the returns implied by the targets should be seen as less reliable than the market returns implied by the Fund's benchmarks.

Benchmark and Target Rationale

Quoted Equities

Mandate	Current Benchmark	Current Target	Suggested Benchmark	Suggested Target
LGIM Global Equity	FTSE All-World Developed Market ex UK	-	No change	No change
LGIM UK Equity	FTSE All-Share	-	No change	No change
LCIV Emerging Markets	MSCI Emerging Market Index	MSCI Emerging Markets +2.5% p.a	No change	MSCI Emerging Markets +2.5% p.a.

- Both FTSE and MSCI provide a consistent series of broadly-based indices – the best approach for strategic and structural purposes. There is no particular reason to prefer either MSCI or FTSE and as such, we are comfortable with the current selection of benchmarks.
- Both LGIM funds are passive mandates and are designed to match their given benchmarks. Therefore, there is no need for an additional target return.
- There will be greater tracking error on the LCIV Emerging Markets Fund, due to the active nature of the portfolio. We are comfortable with the current benchmark and also agree with the current additional target to measure the manager's ability to generate alpha.

Private equity

Mandate	Current Benchmark	Current Target	Suggested Benchmark	Suggested Target
Capital Dynamics Private Equity	Absolute return of +8% p.a.	-	MSCI All World +1% p.a.	MSCI All World +3% p.a.

- Rather than an absolute return benchmark, we think that the use of a quoted equity index as a strategic benchmark is the best approach. It reflects the strategic rationale that private equity is an extension of the universe of equity opportunities rather than a significant diversifier.
- A global index reflects the global nature of the Fund's private equity programme. Alternatively, it would be possible to use a weighted combination of regional indices that more closely approximates the desired allocation of the private equity portfolio, although we doubt that any resulting improvement in fit between the "benchmark" and the Fund's investments would be worthwhile.
- We think that an expected outperformance of 3% p.a. over listed equities is broadly appropriate. This is typical of the level targeted by private equity investors. However, any added value will represent a combination of a return to illiquidity (a strategic decision) and the relative success of the managers and funds selected (alpha).
- It is impossible to analyse the contributions from these two factors precisely, but we suggest that an approximate solution may be considered by adding a premium of 1% p.a. for the strategic benchmark and a 3% premium for the target. This broadly matches the assumptions within our asset-liability modelling, which assumes a 1% outperformance over quoted equities over time.

Multi-asset

Mandate	Current Benchmark	Current Target	Suggested Benchmark	Suggested Target
Baillie Gifford	BOE Base Rate +3.5% p.a.	-	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.
Ruffer	BOE Base Rate +3.5% p.a.	-	BOE Base Rate +2% p.a.	BOE Base Rate +3.5% p.a.

- Multi-asset (also known as “Diversified Growth” strategies) are comprised of several underlying asset classes with the aim of smoothing returns through diversification. There is therefore no obvious appropriate market index to act as a benchmark.
- Typical benchmarks are therefore cash or inflation. These funds then target a premium over this.
- The challenge in setting an appropriate benchmark and target then boils down to agreeing upon the correct risk premium to allocate to these funds. Based on the underlying allocation of typical diversified growth funds, we suggest BOE Base Rate + 2% p.a. is set as a benchmark, and BOE Base Rate + 3.5% p.a. as the target. This will help differentiate between expected return given risk, and alpha generated by the manager.

Income Assets: Infrastructure and Property

Mandate	Current Benchmark	Current Target	Suggested Benchmark	Suggested Target
Alinda Infrastructure	Absolute return of +8% p.a.	-	CPI +2% p.a.	CPI +6% p.a.
Capital Dynamics Infrastructure	Absolute return of +8% p.a.	-	CPI +2% p.a.	CPI +6% p.a.

Infrastructure

- Infrastructure is often predicated on some long-term return above inflation. Considering the nature of these funds, we suggest that an appropriate risk premium over inflation is 2% p.a. and any outperformance of this reflects manager skill. We have therefore suggested a benchmark of CPI +2% p.a. and target of CPI +6% p.a.

The Fund currently has a legacy property holding with Aviva that has almost entirely been wound down. However, property is an asset class the Fund is committed to and will likely seek to deploy funds through the London CIV as and when the property offering becomes available to meet their target strategic allocation to this asset class. We will address the appropriate benchmark and target for this allocation at a later date, once the exact mandate is known.

Protection: Multi-Asset Credit and Gilts

Mandate	Current Benchmark	Current Target	Suggested Benchmark	Suggested Target
CQS Multi Credit	LIBOR +4.5% p.a.	-	LIBOR +2% p.a.	LIBOR +2% p.a.
BlackRock UK Gilts Over 15 years	FTSE UK Gilts Over 15 years	-	No change	No change

Multi – Credit

- Given the CQS benchmark for the fund is LIBOR +4-5% p.a. over a 4 year rolling period, we suggest that LIBOR +2% p.a. is an appropriate benchmark and LIBOR +4% p.a. is an appropriate target over the same 4 year rolling period structure.

Gilts

- The BlackRock mandate is a passively managed bond fund. Therefore, there is no need for an additional target return.
- The FTSE UK Gilts Over 15 Years benchmark is appropriate for a basket of over 15 year gilts.

Recommendation

As stated previously, we recommend that the above changes are discussed on our September monthly call with a view to incorporating any new benchmarks and targets with effect from Q3 2019 reporting. This will include updating Northern Trust, the Fund's performance measurer.

We look forward to discussing this paper with you.

Prepared by:-


William Marshall, Partner
Kameel Kapitan, Associate Consultant
Dave Gilmour, Investment Analyst

August 2019

For and on behalf of Hymans Robertson LLP

General Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

 Brent	Pension Board 22 October 2019
	Report from the Director of Finance
Equitable Life Proposal	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	None
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 The purpose of this report is to outline proposed changes to the Equitable, a legacy AVC (Additional Voluntary Contributions) provider for the Brent Pension Fund.

2.0 Recommendation(s)

2.1 That Members of the committee delegate the authority to the Director of Finance on the decision to vote as outlined in section 3.7.

3.0 Detail

3.1 In line with legal requirements and LGPS regulations, all LGPS administering authorities, including the Brent Pension Fund, have entered into arrangements with one or more AVC providers.

3.2 Additional Voluntary Contributions (AVCs) are potentially a tax efficient way to save money for your retirement in addition to the main Local Government Pension Scheme, allowing members to retire early or with a higher pension.

- 3.3 When this requirement was introduced Equitable Life were a big player in the market and the Brent Pension Fund, among many others appointed Equitable Life as their AVC provider.
- 3.4 In July 2000, Equitable Life decided it was in the interest of members to find a purchaser for the society. When this failed, it announced that it would not write any new business in December 2000 – it has been operating in run-off since then. This means that the Equitable is serving its Policyholders under Policies which already exist but are not entering into new policies. As a result, most LGPS administering authorities only hold AVC policies with Equitable Life in respect of historical AVCs. The fund's current AVC provider is Prudential.
- 3.5 In June 2018, Equitable Life announced that it has entered into an agreement to transfer its business to Utmost Life and Pensions.
- 3.6 This Proposal is made up of two main parts:
1. The Scheme
 - increasing with-profits investments with an immediate one-off 'Uplift'
 - removing any investment guarantees, and
 - converting with-profits policies to unit-linked investments
 2. The Transfer
 - To transfer to Utmost Life and Pensions all of the business of Equitable Life except for certain excluded policies.
- 3.7 In August 2019, Equitable Life wrote to all the LGPS administering authorities affected by the transfer to advise them that as both 'Scheme Policy Holders' and 'Eligible Members' they are able to vote:
- 1) to approve the 'Scheme'
 - 2) to 'Change the Articles' which would make Utmost Life and Pensions the Equitable Life's only Member
- LGPS administering authorities are able to split their vote in a way that represents the preferences of their members.
- 3.8 The deadline for the receipt of postal and online votes is 10am on 30 October 2019.
- 3.9 If enough Scheme Policyholders vote for the Scheme and the Change to Articles is passed, Equitable Life intends to return to the High Court to ask it to approve (or "sanction") the Scheme and the Transfer.
- 3.10 If the Proposal does not become effective, no Scheme Policyholder would receive any uplift and Equitable life would continue to run as it does currently. It is likely that they would try to find a different solution to the challenges they currently face.

- 3.11 The Fund is currently in the process of obtaining the member specific data which will outline the impact of the proposal on Brent members. However, it is important to note that AVC's are separate from the Brent Pension Fund and these investments are held with Equitable and are not assets of the Fund.
- 3.12 Once received, the Fund together with its investment advisors, will consider the impact of the proposals on members. This report recommends delegating authority to the Director of Finance on the decision to vote as outlined in section 3.6.

4.0 Financial Implications

- 4.1 These are discussed throughout the report.

5.0 Legal Implications

- 5.1 As detailed in paragraph 3.5, Equitable Life announced that it has entered into an agreement to transfer its business to Utmost Life and Pensions. For this to take place, it requires Administering Authorities as policyholders to:
 - 5.1.1 Approve the "Scheme" as detailed in paragraph 3.6.1 – a majority of more than 50% of Scheme policyholders who hold 75% or more of the total Voting Value of all policyholders is required.
 - 5.1.2 Approve the Change to Articles as detailed in paragraph 3.7.2 – approval of at least 75% of votes cast is required; and
 - 5.1.3 Not convince the High Court to reject the transfer of Equitable Life's Business to Utmost Life by objecting to the transfer.
- 5.2 The Local Government Association has sought advice from leading Counsel in relation to Administering Authorities' rights and duties in relation to any vote. The advice confirms that Administering Authorities have fiduciary duties to employers and members to secure, inter alia, that the value of additional benefits from AVCs is reasonable having regard to the amount of voluntary contributions and the value of other scheme benefits. In this regard, it is noted at paragraph 3.11 that the Fund is currently in the process of obtaining the member specific data which will outline the impact on Brent members.
- 5.3 Leading Counsel's advice also addresses a number of other points regarding voting and concludes:
 - 5.3.1 It is for Administering Authorities as policyholders to determine how they exercise their votes and they should not abdicate their responsibility in this regard; and
 - 5.3.2 It would be prudent for Administering Authorities to communicate with scheme members regarding the proposal to take into account any views they may have but, having regard to such views, it is for Administering Authorities to determine, acting reasonably, how to vote.

5.4 The Recommendation in the report seeks delegation of authority to vote in relation to approval of the Scheme and Change to Articles as outlined at paragraph 5.1.1 and 5.1.2 to the Director of Finance. Should the members of the sub-committee agree such delegation, the Director of Finance should have regard to leading Counsel's advice in determining how to vote.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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