



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Thursday 24 June 2021 at 6.00 pm

PRESENT: Councillor S Choudhary (Chair), Councillor Aden (Vice-Chair) and Councillors Daly, Donnelly-Jackson, Kansagra and Bankole

Also present: Councillors

Apologies for absence were received from: Councillors

1. **Apologies for Absence and clarification of alternate members**

2. **Declarations of personal and prejudicial interests**

Councillor Daly declared a personal interest in Agenda Item 9 as a Council appointed Trustee on the Edward Harvist Trust. Kenneth Taylor, Peter McRae & Dave Gilmour (all representing Hymans Robertson LLP) advised they would need to withdraw from the meeting for Agenda Item 9 (Actuarial Services Procurement).

3. **Minutes of the previous meeting**

RESOLVED: That the minutes of the previous meeting held on 24 February 2021 be approved as an accurate record of the meeting.

4. **Matters arising**

None.

5. **Deputations (if any)**

6. **London Borough of Brent Pension Fund - Q1 2021 Investment Monitoring Report**

Kenneth Taylor (Hymans Robertson LLP Investment Consultant) introduced a report which outlined the performance of Brent Pension Fund during Q1 2021.

In presenting the report, the following were highlighted as key strategic points:

- The Fund had posted positive returns over the past 3 months, ending the quarter with a valuation of £1,032.1m up from £1,010.4m at the end of Q4 2020.
- The Fund's growth holdings were the main drivers of returns, along with the Ruffer fund that added notable performance. Within equities, the UK equity fund was the standout performer on an absolute basis.

- The Fund's long dated gilts holdings detracted from returns following the sharp rise in yields over the quarter as inflation expectations had risen.
- During Q1, £30m was sold from the UK equity fund, with the proceeds split equally between global equities and the Ruffer Multi-Asset fund.
- The Fund was currently holding more cash than usual. The Fund's upcoming investment in Low Carbon equities, and capital calls for the private market mandates, would be funded from cash.

The Committee then moved on to consider the summary provided in relation to asset allocation. Key points noted were as follows:

- The interim and long term target allocations in terms of growth, income/diversifiers and protection. The growth in portfolio contains the equity investments and the amounts in these funds were fairly well aligned and performing as expected. Protection assets were designed to provide more stability.

An overview was then provided in relation to manager performance of the various funds, focused over the last 12 months. It was noted:

- That total Fund return was positive during the quarter on both an absolute and relative basis with longer term performance also comfortably ahead of targets.
- UK equities had led global markets with strong performance. Over the year emerging markets had led with the JPM fund having posted impressive performance relative to its benchmark, despite underperforming over the last quarter.
- The Ruffer Multi asset fund had also posted strong performance over the last quarter and despite their different approaches both this and the Baillie Gifford funds had returned broadly similar performance over the last year.
- The CQS mandate had shown strong performance in bouncing back from previous falls and whilst gilt yields had risen sharply the overall portfolio with its long duration had experienced a fall. Members also noted the performance summary provided in relation to the LGIM Global & UK Equity Funds, LCIV JP Morgan (emerging market) fund, Capital Dynamics (private equity) fund, the Baillie Gifford and Ruffer Multi asset funds, Alinda Infrastructure fund, LCIV and Capital Dynamics Infrastructure funds, CQS Multi Asset Credit fund and Black Rock UK Gilts fund.
- Current performance in relation to the Capital Dynamics private equity fund was provided and the Alinda and the Capital Dynamics Infrastructure funds posted negative returns, although it was noted that the impact of this was mitigated as a result of the Funds holding fewer assets in these investments.
- On an overall level, it was repeated that the fund was significantly ahead of the benchmark period.

The Chair thanked Kenneth Taylor for his presentation and members were then invited to ask questions, with the responses summarised below:

- Details were sought on the reasons for the increase in fund valuation with Kenneth Taylor advising that this was primarily due to the increase in value and performance in both Global and UK equity markets, as well as the Ruffer Multi-Asset fund.

- Members also queried the impact of Brexit on the UK gilt investment market over the short to medium term, which they were advised that the economy would be expected to be impacted by supply and demand issues within the market as well as potential rises in interest rates.
- A question was then asked about the RI rating in relation to the BlackRock Fund. Clarification was provided that this related to responsible investments covering environmental, social and governance issues with confirmation also provided that the investment in this fund had been held for 2.5 years.
- Further details were sought relating to climate risk analysis and whether a deeper analysis was available. In response, members were advised of the basic approach adopted to identify the likely impact of high-level risks with the analysis also designed to test the resilience of different funds in relation to various climate scenarios.
- As a final issue the Committee were assured that no concerns had been identified in relation to the change within the management structure of the Ruffer Multi asset fund.

Members welcomed the update provided and with no further issues raised thanked Hymans Robertson LLP for their presentation. It was **RESOLVED** that the report noted.

7. London Borough of Brent Pension Fund - Funding Issues Update

Peter MacRae (Actuary, Hymans Robertson LLP) introduced a report updating the Sub-Committee on funding issues which had arisen in relation to the Pension Fund and key issues for the remainder of the 2021-22 Fund Year.

The Committee noted the update provided in relation to the funding history and evolution of the Pension Fund along with the following issues which had been identified since the last formal valuation of the Fund and looking forward during the remainder of the 2021/22 Fund Year:

- the impact of Covid-19 on mortality rates, investment returns and employer covenants which would also have a longer-term impact on the life expectancy improvement assumption made at the next valuation in 2022.
- The introduction of new regulations since the last formal valuation which affected how contributions were determined, particularly for employers leaving or planning to leave the Fund.
- The impact arising from revocation of the £95,000 cap on exit payments to public sector employees.
- Whilst the results of the analysis by the Government Actuary's Department on the 2019 valuation had not yet been published, no issues were expected to be raised. The results of the latest cost management valuation were also not yet available.
- The focus over the remainder of the year will be on preparation for the next actuarial valuation. Contribution modelling for the London Borough of Brent would take place later this year, including consideration of climate risk.

The Chair thanked Peter MacRae for his presentation and members were then invited to ask questions, with the responses summarised below:

- Details were sought on the number of other employers (outside of the Council) who were members of the Pension Fund. In response it was confirmed that the Fund included 41 other employers as active members, the majority of which were academy schools. Overall scrutiny on the administration of the Fund was a function undertaken by the Local Pension Boards, who were provided with details of all items considered by the Pension Fund Sub Committee.

As no further issues were raised the Chair again thanked Hymans Robertson LLP for the update and it was **RESOLVED** to note the report and funding issues highlighted.

8. **Brent Pension Fund: Draft Annual Accounts 2020-21**

Saagar Raithatha (London Borough of Brent Finance Analyst) presented a report, setting out the draft Pension Fund Annual Accounts for the year ended 31 March 2021 and the draft Investment Strategy Statement (ISS).

In presenting the report the Sub Committee noted:

- That the accounts had been prepared to meet the requirements of the Code of Practice governing the preparation of financial statements for Local Government Pension Scheme Funds.
- The following key issues identified in relation to the accounts:
 - During 2020/21, the value of Brent's pension fund had increased to £1,032m (2019/20 £835m). This was praised, with members noting it had been mainly due to the performance of the markets recovering following the pandemic and the Funds Investment Managers, with fees also maintained at their current levels.
 - Total contributions received from employers and employees were £61m for the year, an increase on the previous year's £60m.
 - Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits were £42m, a decrease on the previous year's £48m
 - As in 2019/20 the Fund was in a positive cash flow position as contributions exceeded outgoings to members.
- The updated draft Investment Strategy Statement (ISS) which had been included as Appendix 2 of the report. In accordance with the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 this set out the investment policy of the Pension Fund and would be published as part of the Fund's Annual Report, once approved.

The Chair thanked Saagar Raithatha for his presentation and members were then invited to ask questions, with the responses summarised below:

- In response to a query regarding 'individual transfers', it was confirmed that this referred to staff who had transferred their pension from other schemes.

As no further issues were raised the Chair thanked all officers for their work in preparing the draft accounts and Sub Committee **RESOLVED** to note and endorse the draft Annual Accounts for the year ended 31 March 2021 and draft Investment Strategy Statement.

9. Actuarial Services Procurement

Given the interest declared at the start of the meeting all representatives from Hymans Robertson LLP as the Pension Fund's current actuarial advisors withdrew (online) from the meeting for consideration of this item.

Sawan Shah (London Borough of Brent Senior Finance Analyst) introduced a report detailing the proposed procurement process to be adopted in relation to the contract for actuarial advice, when the current contract expired on 30 September 2021.

In considering the report the Committee noted:

- The requirement within the Local Government Pension Scheme Regulations for the Council as the Funds Administering Authority to appoint a fund actuary in order to provide a number of key technical services for the Fund, which included the triennial valuation, calculation of employer contribution rates, carrying out opening valuations for new scheme employers, closing valuations for exiting scheme employers and ad hoc advice and guidance.
- The intention to conduct the procurement using one of the Local Government Frameworks for actuarial services, with the benefit of reducing procurement time and costs as the framework would already have been through a competitive tender and OJEU compliant procurement process.

In terms of issues raised, the Sub Committee queried whether it would be possible to include social value considerations as well as price and quality within the evaluation process, which it was noted would be included as part of the criteria. Members of the Sub Committee advised they would also been keen to play an active role in the procurement process.

As no further issues were raised the Sub Committee **RESOLVED** to approve the recommended granting of delegated authority to the Director of Finance to appoint a provider for actuarial services to the Fund, following a procurement process to be carried out by officers.

Having dealt with this item, the representatives from Hymans Robertson LLP returned to join the remainder of the meeting.

10. Local Authority Pension Fund Forum (LAPFF) Engagement Report

Saagar Raithatha (Finance Analyst) introduced a report providing members with an update on the engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund.

In considering the report the Sub Committee noted the Fund's commitment with LAPFF and its work, which it was felt further demonstrated the commitment to Responsible Investment and engagement.

Having noted the background to the LAPFF, as detailed within Section 3 of the report, the Sub Committee moved on to consider the Q1 Engagement report providing an overview of the work and engagement conducted by the LAPFF. Key areas of focus and engagement included (as detailed within section 4 of the report):

- Engagement with a variety of organisations including National Grid & HSBC on their approach towards climate change and with General Motors and Volkswagen on their commitment towards investing in and scaling up electric vehicle production as part of the commitment to achieving carbon neutrality;
- Engagement with Chartwell regarding their free school meal supply chain;
- Work with Tesco to discuss their long term strategy towards health and nutrition

Members attention was drawn to the appendix attached to the report which provided further detail on the engagement work being undertaken. Members were also advised that further detail was available from officers who regularly attended LAPFF meetings.

As no further issues were raised the Chair thanked officers for the update and the Sub Committee **RESOLVED** to note the report from the LAPFF.

11. **Minutes of Pension Board - Tuesday 23 March 2021**

The Sub-Committee welcomed Mr David Ewart (Independent Chair - Pension Board) to the meeting to give an overview of the Board's last meeting. Mr Ewart provided an outline of the issues considered at the last Board meeting, which had included an update on various pension administration matters, consideration of the Board and Sub Committee training strategy, an update on the Local Government Pension Scheme regulatory environment. The Board had also considered the Brent Risk Management Strategy register in relation to the Pension Fund and Administration Service as well as receiving an update on the London CIV and Investment Monitoring report from Hymans Roberston LLP. In concluding the Chair thanked all officers for their support and it was **RESOLVED** to note the minutes from the Pension Board and update provided at the meeting.

12. **Any other urgent business**

None.

13. **Dates of Future Meetings**

The dates of future meetings were noted as follows:

Tuesday 5 October 2021 at 6pm

Monday 21 February 2022 at 6pm

14. **Exclusion of the Press & Public**

At this stage in the meeting the Chair advised that the Sub Committee would need to move into closed session to consider the final items on the agenda and it was therefore **RESOLVED** to exclude the press and public from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, 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).”

15. **Deferred Debt Arrangement**

Sawan Shah (Senior Finance Analyst) introduced a report advising the Sub Committee of an organisation which had informed the Fund of their intention to stop future accrual into the Pension Fund.

In considering the report the Committee noted:

- The background to the financial position involving the organisation and their current membership of the Fund.
- The discussions which had been undertaken with the organisation on the available options in terms of a way forward and key issues that would need to be considered in determining the nature of any legal agreement between them and the Fund.
- The discussion and active involvement of the Fund Actuary (Hymans Robertson LLP) regarding the position and proposed agreement to be entered into with the organisation.
- The assurance provided that the existing accrued benefits for members would be unaffected and, subject to approval of the agreement, those current active members of the organisation would cease contributing to the LGPS and stop accumulating further LGPS benefits.

In terms of issues raised further details were provided for the Sub Committee in relation to the previous action taken to address the organisations position in the Fund and arrangements included within the proposed legal agreement to provide an acceptable form of security within a defined period of time, which would provide a positive way forward for both the Fund (in order to mitigate any risks) and to the organisation. Members were advised that the key terms of the proposals outlined in the report had been accepted by the organisation for recommendation to their Trustees.

Members were keen to ensure that any issues in terms of ongoing risk to the Fund or involving other member organisations continued to be reported to the Sub Committee at as early a stage as possible.

Having noted the advice provided at the meeting the Sub Committee **RESOLVED** to:

- (1) note the content of the report and funding position identified in relation to the organisation identified within the report.
- (2) approve entry into a Deferred Debt Agreement (DDA) with the organisation identified within the report.
- (3) delegate authority to the Director of Finance to finalise the terms of the DDA agreement with the organisation identified within the report.

16. **London CIV Investment Update**

Silvia Knott-Martin (Client Relations Manager) introduced a report providing an update on LCIV performance since inception and each fund manager's performance under the LCIV pool. The main areas covered within the presentation were in relation to pooled investment arrangements, investment performance, staffing and organisation updates (including the appointment of a new Investment Manager & Senior Portfolio Manager - Equities), changes proposed to the LCIV MAC Fund and other LCIV fund launches within the pipeline.

Responses were then provided to questions raised by members in relation to the following issues covered within the presentation:

- The acquisition of property assets (including student accommodation) as one of the investment opportunities being pursued through the LCIV. Members highlighted concerns regarding the use of student accommodation as assets for investment purposes and in response were provided with further details on the way these type of investments were structured in order to mitigate risks whilst also delivering high standard accommodation.

With no further issues raised, the Chair thanked Silvia Knott-Martin for her presentation and the Sub Committee **RESOLVED** to note the investment update provided by London CIV.

The meeting closed at Time Not Specified

S CHOUDHARY
Chair

The meeting closed at Time Not Specified

S CHOUDHARY
Chair