



# Brent

## **Brent Pension Fund Sub-Committee**

**Thursday 24 June 2021 at 6.00 pm**

Conference Hall – Brent Civic Centre, Engineers Way,  
Wembley, HA9 0FJ

Please note that this meeting will be held as a socially distanced physical meeting with all members of the Committee required to attend in person.

Guidance on the safe delivery of face-to-face meetings is included at the end of the agenda front sheet.

**Due to current restrictions and limits on the socially distanced venue capacity, any press and public wishing to attend this meeting are encouraged to do so via the live webcast. The link to attend the meeting will be made available [here](#).**

### **Membership:**

#### **Members**

Councillors:

S Choudhary (Chair)  
Aden (Vice-Chair)  
Daly  
Donnelly-Jackson  
Kansagra  
W Mitchell Murray  
Perrin

#### **Substitute Members**

Councillors

A Choudry, McLeish and  
Naheerathan

Councillors

Colwill and Maurice

### **Non Voting Co-opted Members**

Elizabeth Bankole

Brent Unison representative

**For further information contact:** Andrew Phillips, Governance Officer  
Tel: 0208 937 4219; Email: [Andrew.Phillips@brent.gov.uk](mailto:Andrew.Phillips@brent.gov.uk)

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:  
**[democracy.brent.gov.uk](http://democracy.brent.gov.uk)**

### **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 or trade union).

- (b) The interests 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
<b>1 Apologies for Absence and clarification of alternate members</b>	
<b>2 Declarations of personal and prejudicial interests</b>  Members are invited to declare at this stage of the meeting, any relevant personal and discloseable pecuniary interests in any matter to be considered at this meeting.	
<b>3 Minutes of the previous meeting</b>  To conform and approve the minutes of the previous Sub Committee held on Wednesday 24 February 2021 as an accurate record.	1 - 8
<b>4 Matters arising</b>	
<b>5 Deputations (if any)</b>	
<b>6 London Borough of Brent Pension Fund - Q1 2021 Investment Monitoring Report</b>  To receive the Brent Pension Fund Q1 2021 Investment Monitoring Report.	9 - 28
<b>7 London Borough of Brent Pension Fund - Funding Issues Update</b>  To receive an update from Hymans Robertson on funding issues which have arisen in relation to the Brent Pension Fund since the formal valuation and key issues for the remainder of the Fund year 2021-22.	29 - 38

**8      Brent Pension Fund: Draft Annual Accounts 2020-21** 39 - 86

To receive a report from the Director of Finance presenting the draft Pension Fund Annual Accounts for the year ended 31 March 2021 and the draft Investment Strategy Statement (ISS).

**9      Actuarial Services Procurement** 87 - 90

To receive a report from the Director of Finance detailing the proposed procurement process to be adopted in relation to the contract for actuarial advice, when the current contract expires on 30 September 2021.

**10    Local Authority Pension Fund Forum (LAPFF) Engagement Report** 91 - 108

To receive a report from the Director of Finance providing an update on the engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund.

**11    Minutes of Pension Board - Tuesday 23 March 2021** 109 - 116

To note the minutes of the Pension Board held on Tuesday 23 March 2021.

**12    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 her representative before the meeting in accordance with Standing Order 60.

**13    Dates of Future Meetings**

To note the following dates scheduled for future meetings of the Sub Committee in 2021/22:

- Tuesday 5 October 2021 at 6pm – Brent Civic Centre
- Monday 21 February 2022 at 6pm – Brent Civic Centre

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

The press and public will be excluded from the remainder of the meeting as the reports to be considered 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)"

## **15 Deferred Debt Arrangement**

117 - 122

To receive a report from the Director of Finance regarding approval for a Deferred Debt Agreement.

## **16 London CIV Investment Update**

123 - 280

To receive a report from the Director of Finance providing an on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV).

### **Guidance on the delivery of safe meetings at The Drum, Brent Civic Centre**

- We have revised the capacities and floor plans for event spaces to ensure they are Covid-19 compliant and meet the 2m social distancing guidelines.
- Attendees will need to keep a distance of 2m apart at all times.
- Signage and reminders, including floor markers for social distancing and one way flow systems are present throughout The Drum and need to be followed.
- Please note the Civic Centre visitor lifts will have reduced capacity to help with social distancing.
- The use of face coverings is encouraged with hand sanitiser dispensers located at the main entrance to The Drum and within each meeting room.
- Those attending meetings are asked to scan the coronavirus NHS QR code for The Drum upon entry. Posters of the QR code are located in front of the main Drum entrance and outside each boardroom.
- Although not required, should anyone attending wish to do book a lateral flow test in advance these are also available at the Civic Centre and can be booked via the following link: <https://www.brent.gov.uk/yourcommunity/coronavirus/covid-19-testing/if-you-dont-have-symptoms/>



## LONDON BOROUGH OF BRENT

### **MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE** **Held as an online meeting on Wednesday 24 February 2021 at 6.00 pm**

PRESENT (in remote attendance): Councillor S Choudhary (Chair) and Councillors Daly, Donnelly-Jackson, Perrin and Elizabeth Bankole (Co-Opted Member)

Also present: Councillor McLennan (Deputy Leader & Lead Member for Resources)

Apologies for absence were received from: Councillor W Mitchell Murray

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

None declared.

2. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 6<sup>th</sup> October 2020 be approved as an accurate record of the meeting.

3. **Matters arising**

None.

4. **Deputations**

None.

5. **London CIV Responsible Investment Update**

The purpose of this report was to update the Sub-Committee on recent developments within the London CIV (LCIV) regarding Responsible Investment and Engagement. The Sub-Committee welcomed Jacqueline Jackson (Head of Responsible Investment at London CIV). Ms Jackson gave a slide presentation updating Members regarding key priorities for 2021 with respect to Climate Change, Stewardship, Fund Launches and its policy on Responsible Investment and Engagement.

As part of the presentation, Ms Jackson informed Members that the London CIV aimed to make responsible investment a core part of its investment process across all asset classes and investment mandates, a policy based on the following three clear objectives:

- To support the company's investment objectives.
- To lead by example and raise the bar on responsible investment throughout the industry.
- To add value to clients through improved services.

She gave an overview on how LCIV designed, researched, reviewed and implemented the policy objectives across all operations including investment portfolio selection and stewardship activities. Ms Jackson then provided an update on the following 6 key priority areas:

- Climate Policy supported by robust, forward looking climate foot printing.
- Stewardship Policy complemented by a dedicated voting provision.
- Product Offering driven by clear investment beliefs and rigorous strategy.
- Capacity to Deliver and move towards best practice.
- Culture at the London CIV, which supports the delivery of the Responsible Investment strategy.
- Communications, which ensure a Responsible Investment strategy and associated priorities are disclosed with increased transparency.

Ms Jackson also gave a breakdown of the Funds that LCIV would launch and the initiatives that London CIV had committed to.

In the ensuing discussions, members raised a number of questions including the following:

- The number of companies or fund managers within the LCIV remit that invested in or were owned by BAME groups and women.
- How technological companies with good returns and low level of employees may be seen to be not paying a fair level of tax, how that fitted in and reconciled with the concept of responsible investment.
- Whether the focus was on social responsibility or payment of pensions to members.
- With pressure ever increasing where divestment would fit into planning and whether there were potential dates for achieving targets for fossil free.
- Mr Ravinder Jassar (Deputy Director of Finance) enquired as to when information on carbon and climate risk analytics would be available to the Sub-Committee.

In responding to the above, Ms Jackson stated that diversity was now a key issue for the corporate sector which LCIV had made it a priority in the year 2021. The process had started with an extensive questionnaire developed for fund managers. LCIV would collate the information received and then set achievable targets with stewardship a priority objective. LCIV main focus was on financial returns for its members although social responsibility was equally a priority area. She continued that LCIV would always seek to make an impact through certain engagements with companies and although no date for achieving net zero strategy had been set, LCIV would consider any investment adding value by collaborating with others. Ms Jackson added that the information on carbon and climate risk analytics would be available to the Sub-Committee by May 2021.

The Board thanked Ms Jackson for the informative presentation.



Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the report be noted.

## 6. H2 2020 Investment Monitoring Report

Mr Kenneth Taylor (Investment Consultant) and Mr Kameel Kapitan, Associate (Consultant) of Hymans Robertson presented the investment monitoring report for the quarter. In presenting the performance summary Mr Taylor informed the Sub-Committee that the assets combined to return 7.6% over this period, outperforming the aggregate target return over the second half of 2020. Risk assets continued their recovery during the second half of 2020, albeit with continued volatility. Q4 saw renewed vigour after a more subdued Q3, attributable to the positive vaccine news and the removal of some political uncertainty with a Brexit deal struck and clarity over the US election result.

Performance was also strong within credit markets - high yield outperformed investment grade. Conversely, UK government bonds returns were negative over the 6 months. The slight recovery in Q4 was not enough to offset losses in Q3 stemming from the weak economic outlook. He gave a summary of each manager's performance and rating and highlighted the following key points implemented following agreed transitions in Q4:

- 3% from UK equities to Global equities.
- 3% from UK equities to Ruffer.
- 3% cash investment in BlackRock Low Carbon Fund.

Mr Taylor then set out the following key points of the quarter:

- The Fund posted strong returns over the past 6 months, crossing the £1bn mark to end 2020 with a valuation of £1,010.5m (up from 934.9m at the end of Q2 2020).
- The Fund's Growth holdings were the main drivers of returns, while the Diversifiers also contributed. Within equities, the JP Morgan Emerging Market fund with the LCIV was the standout performer.
- The Fund's Protection assets proved useful earlier in the year, gaining while other areas struggled, thereby reducing volatility.
- During Q4, £13m was sold from the UK Equity fund, with the proceeds split equally between the Global Equity fund 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 markets mandates would be funded from cash.
- The residual holding in the Aviva property fund was sold over the period.

In the ensuing discussions, members queried whether bitcoins were environmentally friendly, taking into account their carbon intensity. Concerns were also expressed about the poor performance of Capital Dynamics. Mr Taylor confirmed that whilst bitcoins were carbon intensive, the Fund's holding was less than 5% and that this could be reduced via conversations with Ruffer.

The performance of Capital Dynamics performance was attributable to one particular fund. Sawan Shah noted the benefits of diversification via LCIV, which

allowed investment in different sectors and thus by gaining broader benefits including broadband, utilities smart meters could reverse that trend.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That investment monitoring report be noted.

## **7. Investment update**

The report provided the Sub-Committee with an update on the Fund's investments. Sawan Shah (Senior Finance Analyst) in introducing the report reminded members of the Sub-Committee's decision in February 2020 to continue significant allocations to diversifiers and, as part of this review, to introduce an allocation to Private Debt; an income focussed asset with a shorter-term focus than infrastructure. The strategic rationale for doing this was to deliver an absolute return, meaningfully higher than might be achieved investing in cash or short-term high-quality bonds.

As part of pooling, it was expected that any new investments would only be made through London CIV, in line with the Fund's investment strategy. In light of this and the Fund's long-term objective to invest 5% of its strategic allocation to Private Debt this would represent an investment of £50m. It is expected that, initially, capital calls would be funded using the Fund's existing cash holdings. He added that officers would be proceeding with this allocation to Private Debt through the London CIV offering, subject to further due diligence, which was in line with the previously agreed strategic allocation to the asset class.

Mr Shah continued the investment update adding as part of the intention to reduce the allocation of UK equities to the interim target allocation a total of £26m was sold in tranche 1 in December 2020 and £30m from LGIM UK equity in February 2021. The proceeds were invested equally between LGIM global equity and Ruffer. In addition to this, the Committee also approved an initial investment of c£28m into the BlackRock passive low carbon equity fund on 16 July 2020. Members heard that with a committed £50 million to London CIV's infrastructure fund, in October 2019, the total commitments to the fund stand at £399 million therefore London Borough of Brent's investment represents 12.5% of the Fund.

The Brent Pension Fund currently had a number of private equity holdings with Capital Dynamics that were entered into between 2004 and 2006 and were at the end of their expected life. However, these investments had not been fully wound down and Capital Dynamics had proposed that unrealised holdings in 4 investments be sold as a block to a single investor ("Project Phoenix"). Capital Dynamics asked the Fund, together with other investors, to vote on the sale proposal, which required 50.01% of investors to consent in order to pass. Following advice from Hymans Robertson on this transaction, the Fund voted in favour of the transaction and elected for the cash redemption. Officers requested approval of this decision from the Chair of the Committee and the Director of Finance prior to the deadline of 04 February 2021. Officers were awaiting the outcome of the vote.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

- (i) That the overall report including the investment update and Capital Dynamics proposal be noted.
- (ii) To note that officers would be proceeding with the allocation to Private Debt through the London CIV offering, subject to further due diligence, in line with the previously agreed strategic allocation to the asset class.

## **8. LAPFF Engagement Report**

This report presented members with an update on the engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's membership of LAPFF and its work had demonstrated its commitment to Responsible Investment and engagement as a way to achieve the Fund's objectives.

Mr Saagar Raithatha (Finance Analyst) informed the Sub-Committee that LAPFF (the Local Authority Pension Fund Forum) had 81 members, 6 pools and combined assets of £300bn. With investments widespread in many of the sectors, LAPFF's aim was to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

He continued that in October 2019, the Pension Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Fund Sub-Committee were welcomed to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund were entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern. He gave updates on the work done by LAPFF and then drew Members' attention to the appendix attached to the report that set out the engagement work by LAPFF

In discussing the report, members sought further assurance about the work undertaken by LAPFF adding that there could be a degree of overlap with the work of LCIV. The Assistant Director of Finance assured members that officers would look into that assess the situation and report back to a future meeting at which members could take a decision on continued membership.

With no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

The report on LAPFF be noted.

## **9. Any other urgent business**

Joe Kwateng.

The Chair informed the Sub-Committee that this was the last meeting that Mr Kwateng would be servicing as he would be retiring after 38 years of service with Brent Council. Members were unanimous in paying tribute to Mr Kwateng for his long and committed service to the Council and in particular, Brent Pension Fund Sub-Committee and wished him a long and happy retirement.

In reciprocating, Mr Kwateng thanked both Members and officers for their assistance during his tenure servicing the Sub-Committee.

**10. Minutes of Pension Board - 3 November 2020**

The Sub-Committee welcomed Mr David Ewart (Independent Chair, Pension Fund) to the meeting to give an overview of the Board's last meeting. Mr Ewart informed the Sub-Committee that there had been a noticeable improvement in the provision of pension services since LPP took over its administration. A focussed exercise with a dedicated resource was being carried out to clear historical unprocessed leavers with anticipated completion by March 2021. The Board also received reports including actuarial update, Covid-19, regulatory changes, pay cap which had now been revoked by the government and the annual accounts that were considered quite impressive. In conclusion, Mr Ewart thanked officers for their support.

RESOLVED

The minutes of the Pension Board be noted.

**11. Exclusion of Press and Public**

RESOLVED:

That the press and public will be excluded 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)."

**12. London CIV Investment Review**

The purpose of this report was to update the committee on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV).

Ms Silvia Knott-Martin (Client Relations Manager) gave a detailed presentation on LCIV performance since inception and each fund manager's performance on the funds under LCIV's and answered Members' questions. These included emerging market, diversified growth funds (DGFs), Multi Asset Credit (MAC) and infrastructure funds.

The Sub-Committee thanked Ms Silvia Knott-Martin for the presentation.

With no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the investment update provided by London CIV be noted.

The meeting closed at 8.00 pm

S CHOUDHARY  
Chair

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# London Borough of Brent Pension Fund

## Q1 2021 Investment Monitoring Report

Kenneth Taylor, Senior Investment Consultant  
Kameel Kapitan, Associate Consultant  
Dave Gilmour, Investment Analyst

Agenda Item 6

Executive Summary

Performance Summary

The assets combined to return 1.5% over this period, outperforming the aggregate target return by 0.5%.

In markets, global equities rose 6.2% in the first quarter as the COVID recovery continued. Emerging Market equities underperformed other regions over the quarter.

The backdrop for fixed income markets was more challenging with rising yields creating headwinds. Despite this, high yield markets still performed well, outperforming investment grade.

Key Actions

In Q1 2020 Officers continued the implementation of the following agreed transitions:

- 3% from UK equities with 1.5% to Global equities and 1.5% to Ruffer.

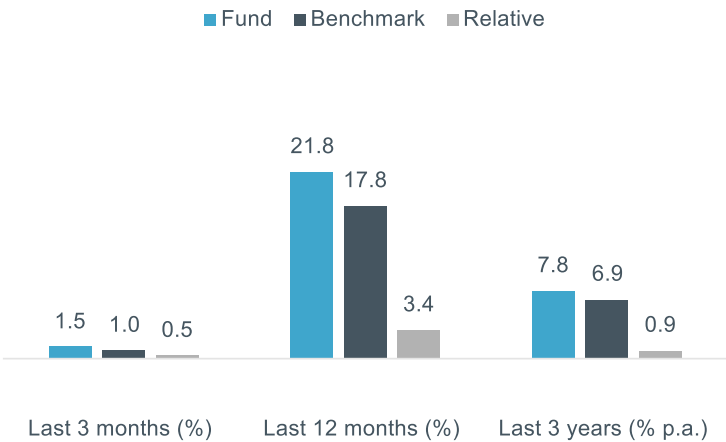
The on-boarding process for the investment in BlackRock Low Carbon Fund is expected to be completed in Q2 2021. This 3% investment will be funded from cash.

Over the quarter the fund committed £50m to the LCIV Private Debt fund.

Key points to note

- The Fund has 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 which added notable performance. Within equities, the UK equity fund was the standout performer on an absolute basis.
- The Fund’s gilt holdings detracted from returns following the sharp rise in yields over the quarter as inflation expectations rose.
- 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 is currently holding more cash than usual. The Fund’s upcoming investment in Low Carbon equities, and capital calls for the private markets mandates, will be funded from cash.

Fund performance vs benchmark/target



High Level Asset Allocation

As part of the investment strategy review carried out in Q2 2020, the Fund’s DGF mandates were re-categorised as ‘Diversifiers’ and included within the ‘Income’ bucket.

GrlP	Actual	Benchmark	Relative
Growth	56.9%	58.0%	-1.1%
Income	25.7%	25.0%	0.7%
Protection	12.2%	15.0%	-2.8%
Cash	5.2%	2.0%	3.2%

Whilst on the journey to its interim and long term targets for Property, Infrastructure and Private Debt, the current agreement is that the Fund will hold a higher allocation to DGF’s.

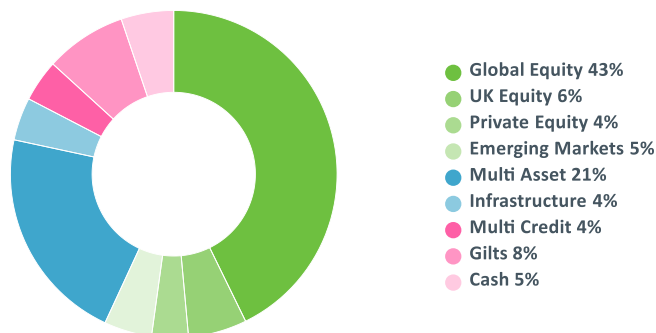


## Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q4 2020	Q1 2021			
LGIM Global Equity	408.8	441.2	42.7%	43.0%	-0.3%
LGIM UK Equity	87.2	59.9	5.8%	5.0%	0.8%
Capital Dynamics Private Equity	40.1	37.5	3.6%	5.0%	-1.4%
LCIV JP Morgan Emerging Markets	48.9	48.8	4.7%	5.0%	-0.3%
<b>Total Growth</b>	<b>585.1</b>	<b>587.3</b>	<b>56.9%</b>	<b>58.0%</b>	<b>-1.1%</b>
LCIV Baillie Gifford Multi Asset	131.6	130.7	12.7%	10.0%	2.7%
LCIV Ruffer Multi Asset	69.6	90.8	8.8%	10.0%	-1.2%
Alinda Infrastructure	23.4	23.1	2.2%	0.0%	2.2%
Capital Dynamics Infrastructure	8.9	8.8	0.8%	0.0%	0.8%
Aviva Property	0.0	0.0	0.0%	0.0%	0.0%
LCIV Infrastructure	7.9	11.8	1.1%	5.0%	-3.9%
<b>Total Income</b>	<b>241.4</b>	<b>265.2</b>	<b>25.7%</b>	<b>25.0%</b>	<b>0.7%</b>
LCIV CQS MAC	41.9	42.8	4.1%	5.0%	-0.9%
BlackRock UK Gilts Over 15 yrs	94.8	83.0	8.0%	10.0%	-2.0%
<b>Total Protection</b>	<b>136.7</b>	<b>125.8</b>	<b>12.2%</b>	<b>15.0%</b>	<b>-2.8%</b>
Cash	47.2	53.8	5.2%	2.0%	3.2%
<b>Total Scheme</b>	<b>1010.4</b>	<b>1032.1</b>	<b>100.0%</b>	<b>100.0%</b>	

Figures may not add up due to rounding. The benchmark currently shown as the interim-target allocation as the first step in the journey towards the long-term target. As the Fund's allocations and commitments to private markets increase over time, we will move towards comparison against the long-term target.

## Asset class exposures



The total Fund return was positive during the quarter, on both an absolute and relative basis. Longer term performance is also comfortably ahead of target.

UK equities led global markets over the quarter, due to the higher weighting to Cyclical. Over the year Emerging Markets lead the way, and the JPM fund has posted impressive outperformance relative to its benchmark, despite underperforming over the quarter.

The Ruffer Multi-asset fund posted strong performance over the quarter, driven by the preference for Cyclical and UK equities. Despite their different approaches, the Baillie Gifford and Ruffer funds have returned broadly similar performance over 12 months.

The CQS mandate produced a return of 2.1% over the quarter, and is showing strong performance over the year in the bounce-back from the February/March falls.

Gilt yields rose sharply over the first quarter. The gilt portfolio, with its long duration, fell by 12.4% as a result.

## Manager performance

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
<b>Growth</b>									
LGIM Global Equity	4.0	4.1	0.0	40.3	40.3	0.0	14.5	14.5	0.0
LGIM UK Equity	5.1	5.2	-0.1	26.7	26.7	0.0	3.2	3.2	0.0
Capital Dynamics Private Equity	2.2	4.3	-2.0	-3.3	40.3	-31.1	8.1	10.7	-2.4
LCIV JP Morgan Emerging Markets	-0.2	1.3	-1.5	53.4	42.3	7.8			
<b>Income</b>									
LCIV Baillie Gifford Multi Asset	-0.7	0.5	-1.2	18.0	2.1	15.6	4.4	3.2	1.2
LCIV Ruffer Multi Asset	7.4	0.5	6.8	20.7	2.1	18.2	7.4	3.2	4.1
Alinda Infrastructure				-8.7	2.7	-11.1	-0.2	5.1	-5.1
Capital Dynamics Infrastructure				-10.6	2.7	-13.0	2.7	5.1	-2.3
LCIV Infrastructure				-6.9	2.7	-9.3			
<b>Protection</b>									
LCIV CQS MAC	2.1	0.5	1.6	25.3	2.4	22.4			
BlackRock UK Gilts Over 15 yrs	-12.4	-12.5	0.0	-10.3	-10.4	0.1			
<b>Total</b>	1.5	1.0	0.5	21.8	17.8	3.4	7.8	6.9	0.9

This table shows the new performance target measures, implemented for 2020. Please note the 3 year return is on the old benchmark basis.

Performance from Alinda and Capital Dynamics Infrastructure is based on information provided by Northern Trust. For such investments, there are more appropriate measures to assess performance. Furthermore, performance in respect of Alinda is skewed by the Alinda III fund which is in the relatively early stages. It is therefore difficult to judge performance from this mandate at this stage on a purely percentage basis. However, as the Fund's commitments continue to be drawn, and the size of investments increase, it will become more appropriate to consider return measures in percentage terms. More detail on relevant measures of assessment for infrastructure funds is provided in the individual manager pages. This is also the case for Private Equity as an asset class.

The table above also excludes the performance of the Fund's investment in the London CIV's infrastructure sub-fund. Given initial draw downs only occurred during Q1 2020, it still remains too early to report appropriate performance at this stage. Like the Alinda III fund above, as the Fund's commitments continue to be drawn under this mandate, and the size of investments increase, it will become more appropriate to report and consider return measures in percentage terms. At this stage, we have also not included a separate manager page.

## Manager ratings

Manager/Mandate	Asset Class	Hymans Rating	RI Rating
LGIM	Global Equity	Preferred	Strong
LGIM	UK Equity	Preferred	Strong
LCIV JP Morgan	Emerging Markets	Suitable	Adequate
Capital Dynamics	Private Equity	Suitable	Not Rated
LCIV Baillie Gifford	Multi Asset	Preferred	Good
LCIV Ruffer	Multi Asset	Positive	Adequate
Alinda	Infrastructure	Not Rated	Not Rated
Capital Dynamics	Infrastructure	Not Rated	Not Rated
LCIV	Infrastructure	Not Rated	Not Rated
LCIV CQS	Multi Credit	Suitable	Not Rated
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated

## Ruffer business update

Ruffer announced their CFO, Myles Marmion, is retiring at the end of April 2021. He is being replaced by Michael Gower who joined in March 2021, from Vanguard where he was CFO for their European and International business. Michael will be a member of the Management Board and the Executive Committee.

Clemmie Vaughnan, CEO, started her maternity leave in March 2021; Chris Bacon and Miranda Best will be covering her role during this period.

## LGIM Global Equity

The LGIM global equity mandate returned 4.0% over first quarter.

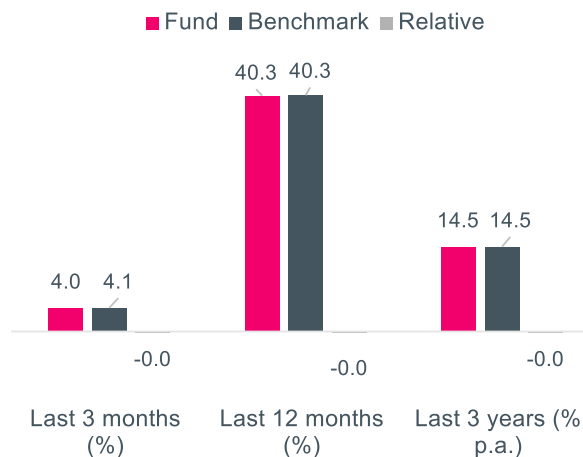
The fund is showing a strong return over 12 months following the sell-off in February and March of last year.

As a passively managed fund, it has matched its benchmark over all periods.

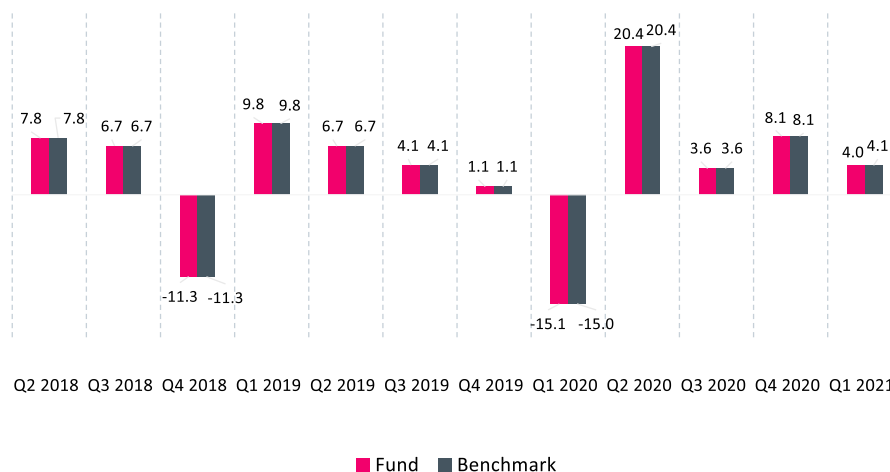
Global markets have seen a rotation out of growth stocks into cyclical as the Covid recovery continues. Rising inflation expectations put a slight dampener on returns towards the end of the first quarter, as investors weigh the possibility of inflation increasing – transitory or otherwise.

We continue to rate LGIM's passive equity capabilities as 'Preferred'.

## Fund Performance vs benchmark



## Historical Performance/Benchmark



## LGIM UK Equity

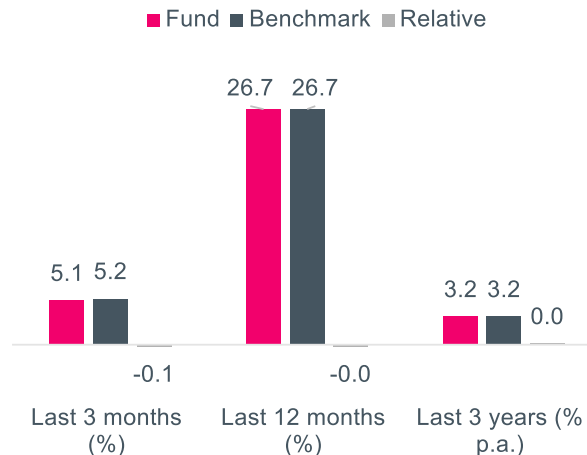
The LGIM UK equity mandate returned 5.1% over the first quarter. Performance over 12 months is strong, albeit not as strong as returns for global equities.

The UK market's higher weighting to cyclicals saw it outperform the global market, although the strength in Sterling caused some headwinds as many constituents in the UK market make the majority of their earnings overseas.

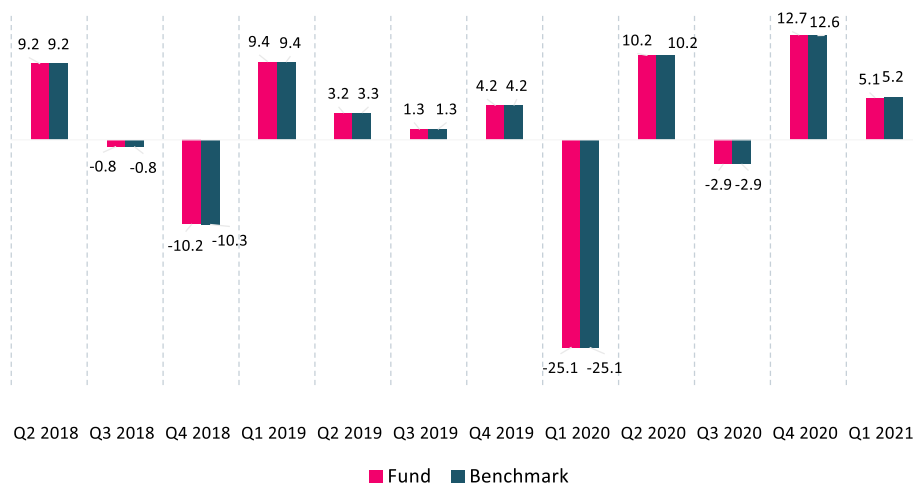
Over the quarter the fund has performed in line with its benchmark as we would expect for a passively managed portfolio.

We continue to rate LGIM's passive equity capabilities as 'Preferred'.

## Fund Performance vs benchmark



## Historical Performance/Benchmark



## LCIV JP Morgan Emerging Markets

The JP Morgan Emerging Markets fund returned -0.2% over the quarter, underperforming the benchmark by 1.5%. Over 12 months the fund has returned an impressive 53.4%, outperforming the benchmark by 7.8%.

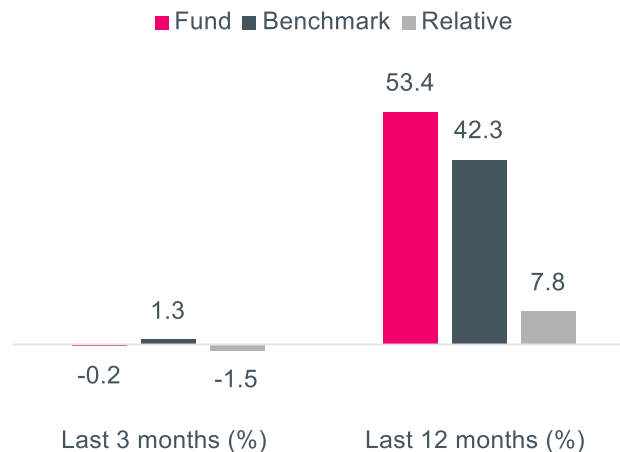
The fund underperformed in the quarter due to its preference for quality growth stocks, which underperformed as investors rotated from growth to cyclical.

Stock selection, which has been a strength over the past 12 months, detracted over Q1. The fund's country allocation effect was neutral, with good returns from the China exposure balanced by weaker returns from India and Argentina.

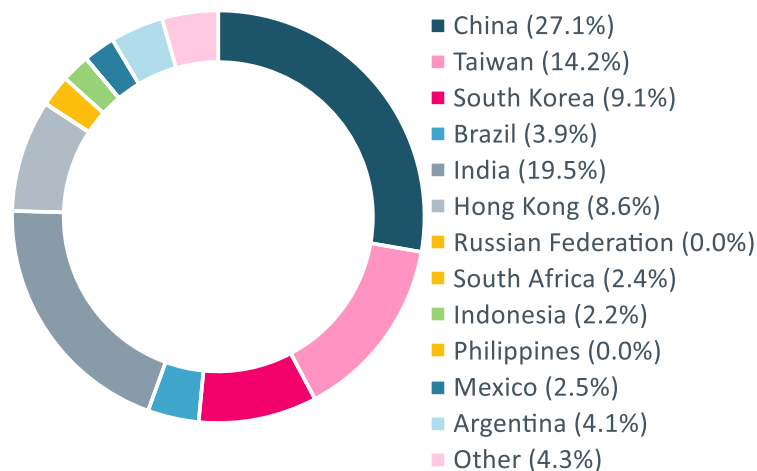
The manager expects the current concerns around rising inflation to reduce, leading to a resumption of more positive sentiment and a focus on individual stock performance which they expect to be beneficial for their high quality holdings.

We continue to rate JP Morgan's Emerging Market equity fund as 'Suitable'.

## Fund Performance versus benchmark



## Fund Regional Allocation



## Capital Dynamics Private Equity

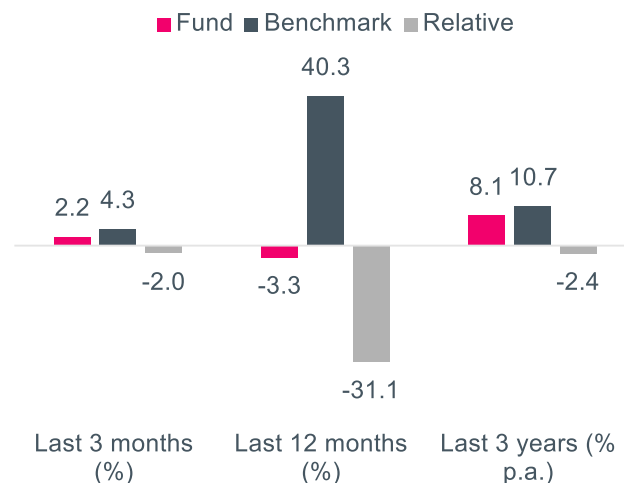
The Capital Dynamics Private Equity fund is invested across a range of sub-funds offering good diversification.

Based on information provided by Northern Trust, the fund returned 2.2% over the quarter. Over the more meaningful 3 year time period, the fund returned 8.1% per annum. Performance is behind the target return of MSCI All World +3% p.a.

In practice, there are two key metrics to assess performance for private equity investments; Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

The investment is at a mature stage meaning assessing the IRR (a percentage value) alongside the TVPI carries greater weight. As at 31 December 2020 the IRR was 9.7% with a TVPI of 1.67x.

## Fund performance vs benchmark



## Summary as at 31 December 2020

Total contributed: c.91.5%

IRR: 9.7%

TVPI: 1.67x

## LCIV Baillie Gifford Multi-asset

Over Q1 2021, the fund underperformed its target of 1.2%, returning -0.7% net of fees. However, performance over the preceding 12 months has been strong and significantly ahead of target.

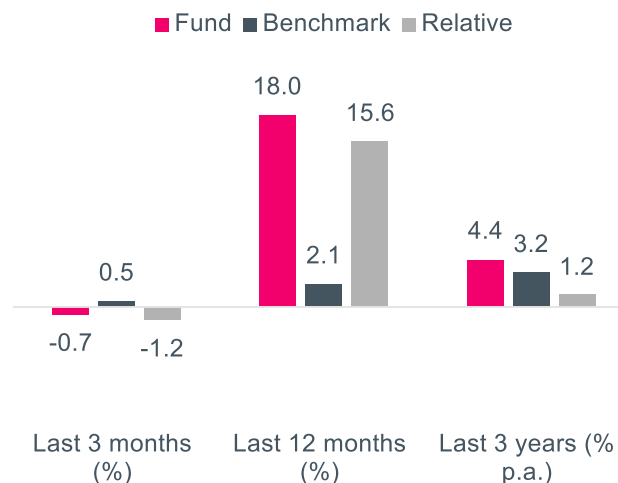
With the focus on cyclical recovery in the portfolio and the reopening of economies, listed equities were the key contributors to performance. The fund's exposure to structured finance and high yield credit also positively contributed.

Inflation concerns resulted in infrastructure holdings (c20% of the fund) detracting, however, it still remains the best performing asset in the portfolio over the longer term. Commodities were also key detractors as higher yields reduced the appeal of gold and nickel was hit by news of wrongful production. The manager has sold gold holdings and reduced the nickel allocation.

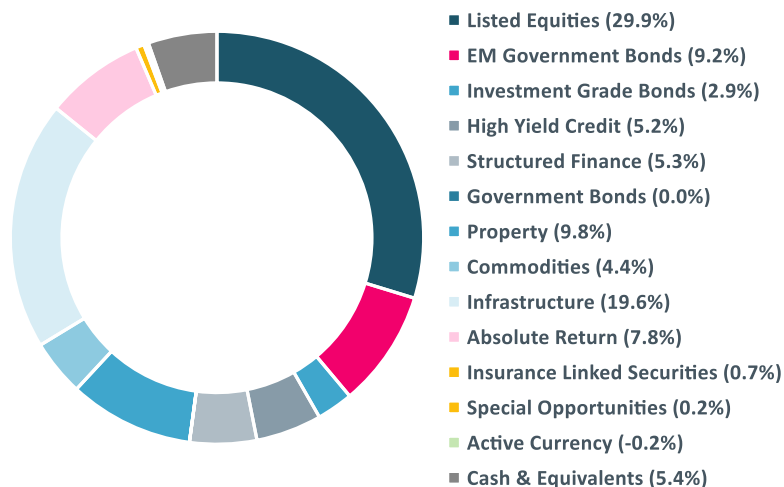
The manager rotated the portfolio over the quarter to position for a cyclical recovery. Allocations in equity and infrastructure have been added as well as holdings in companies expected to do well once economies re-open, such as leisure and travel.

The manager has also implemented hedging strategies due to further inflation concerns. This aims to minimise downside risk in the event of future volatility within bond markets.

## Fund Performance versus benchmark



## Fund Asset Allocation





## LCIV Ruffer Multi-asset

The Ruffer Multi-Asset fund returned 7.4% over the quarter, outperforming the benchmark by 6.8%. Longer term performance is also favourable.

The defensive positioning of the fund, with a preference for cyclical, was the main driver for strong returns over the quarter as investors rotated out of growth stocks into cyclical.

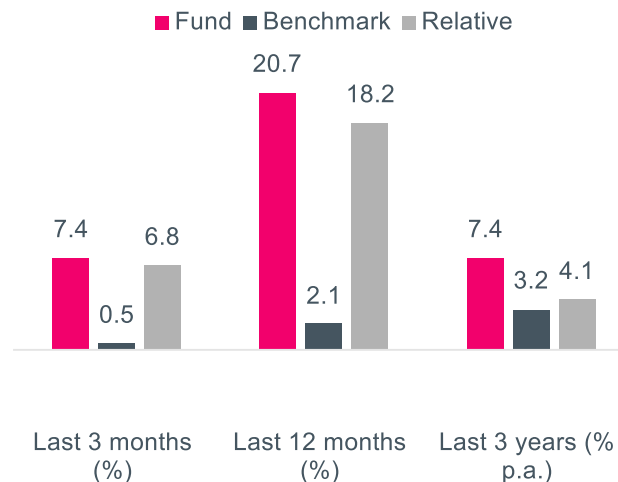
The large allocation to UK equities also added to returns, specifically the UK financial holdings which benefitted from the large rise in bond yields.

The much-discussed allocation to Bitcoin was reduced over the quarter, after the manager took profits following the sharp rise in value.

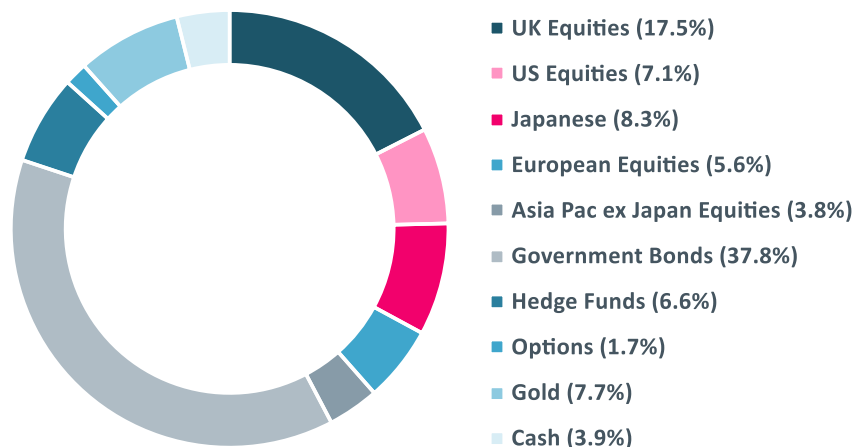
The manager also reduced the allocation to inflation-linked government bonds, along with gold miners.

In a tumultuous year for markets the fund has performed well, preserving capital in the initial falls and showing strong returns in the subsequent recovery.

## Fund Performance versus benchmark



## Fund Asset Allocation



## Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

At the beginning it is too early to assess performance on a purely percentage basis. TVPI is more informative. This essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date.

The Alinda III Infrastructure fund is in the ramp-up stage, drawing down and deploying capital which is skewing and adding volatility to the combined percentage return.

Remaining capital commitments as at 31 December 2020 are as follows:

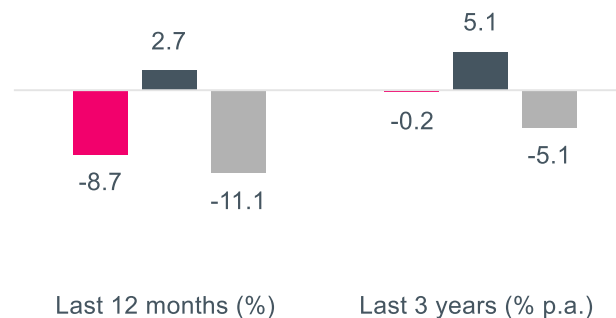
Alinda II: \$3,461,932  
Alinda III: \$7,430,559

The following net distributions (distributions less contributions) were made over Q4:

Alinda II: \$714,890  
Alinda III: -\$1,796,914

## Fund performance vs benchmark

■ Fund ■ Benchmark ■ Relative



## Summary as at 31 December 2020

Alinda Fund II		Alinda Fund III	
IRR (Gross)	5.9%	IRR (Gross)	20.4%
IRR (Net)	3.3%	IRR (Net)	12.6%
Cash yield	6.9%	Cash yield	10.1%
TVPI (Net)	1.2x	TVPI (Net)	1.3x

## LCIV Infrastructure

Target: Absolute return of 8.0-10.0% p.a.

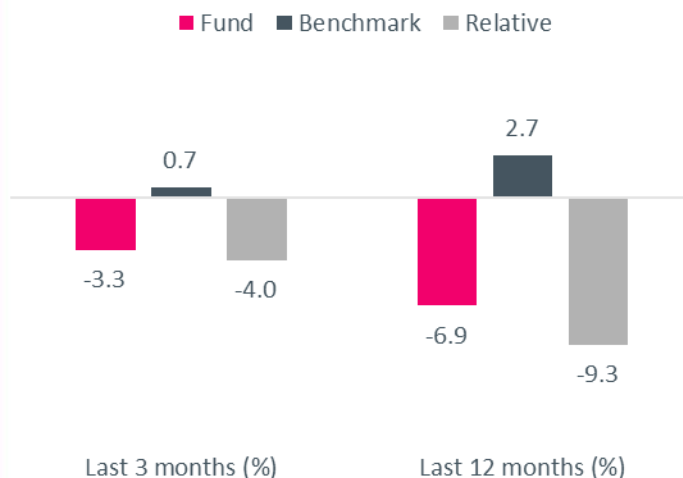
The LCIV Infrastructure fund is managed by Stepstone.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

At this stage of investment, it is too early to assess performance on a purely percentage basis. TVPI is more informative. This essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date. We will be able to provide TVPI figures in future reports.

The LCIV Infrastructure fund is in the ramp-up stage, with a further £4.3m drawn down over the quarter, bringing the NAV at quarter end to £11.8m.

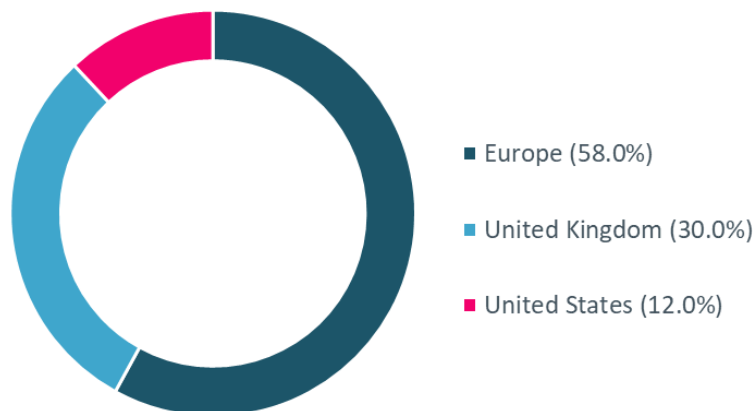
## Fund performance vs benchmark



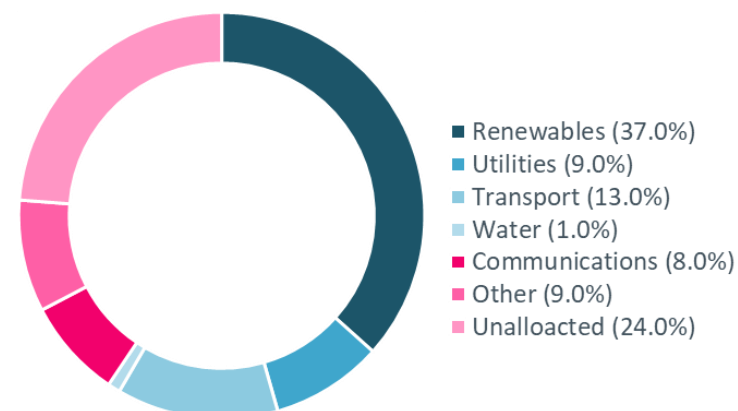
## Fund Statistics as at 31 December 2020

Capital committed	£50.0
Total contributed	£8.1
Distributions	£0
Value created	£3.7
Net asset value	£11.8

## Fund Geographical Allocation



## Fund Sector Allocation



## Capital Dynamics Infrastructure

Target: Absolute return of 8.0% p.a.

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

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

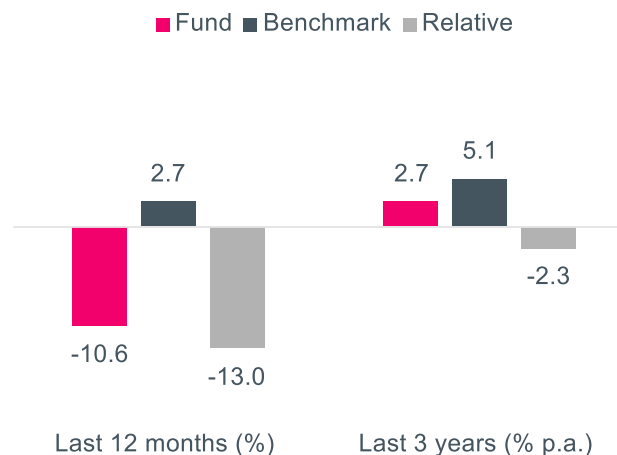
With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

Reporting on underlying commitments is as at 31 December 2020 due to the lag in reporting from the manager, which is typical for funds of this nature.

As can be seen by both the IRR and TVPI, performance has been lower than expected to date.

This level of performance is primarily driven by challenges experienced by one project in particular, a Texas wind project, which the manager has previously acknowledged.

## Fund performance vs benchmark



## Summary as at 31 December 2020 (figures in \$m where applicable)

Capital committed	\$15.0
Total contributed	\$14.7
Distributions	\$1.2
Value created	(\$1.3)
Net asset value	\$13.4

Net IRR since inception	(0.89%)
Total value-to-paid-in-ratio (TVPI)	0.95x

## LCIV CQS Multi Credit

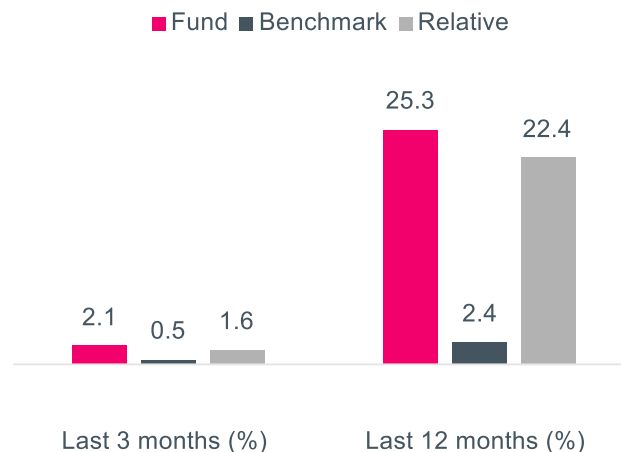
Over the first quarter of 2021 the LCIV's multi-asset credit strategy returned 2.1% against a benchmark of 0.5%. 12 month performance has been strong, with the fund returning 25.3%.

Performance over the quarter was driven by the fund's senior secured loan holdings. US high yield was also notably additive, in addition to the manager's preference for the European market.

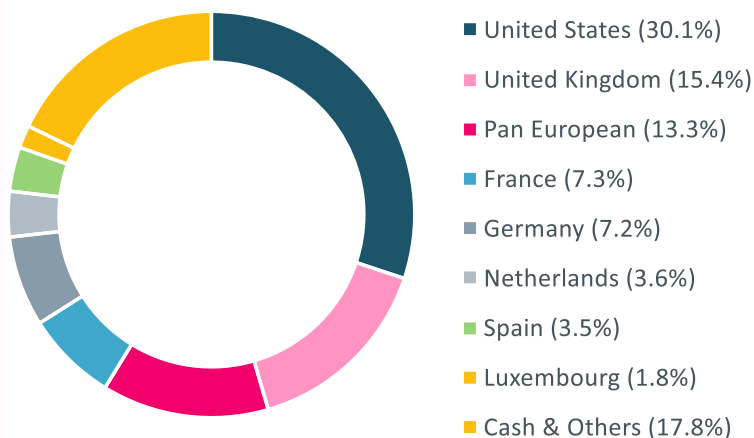
There were no significant changes to the fund's holdings over the quarter. The manager added to the portfolio with a number of European loans, which they still prefer over US loans.

The manager's outlook for markets has improved, and their default assumption has been lowered, bringing it more in line with the market consensus.

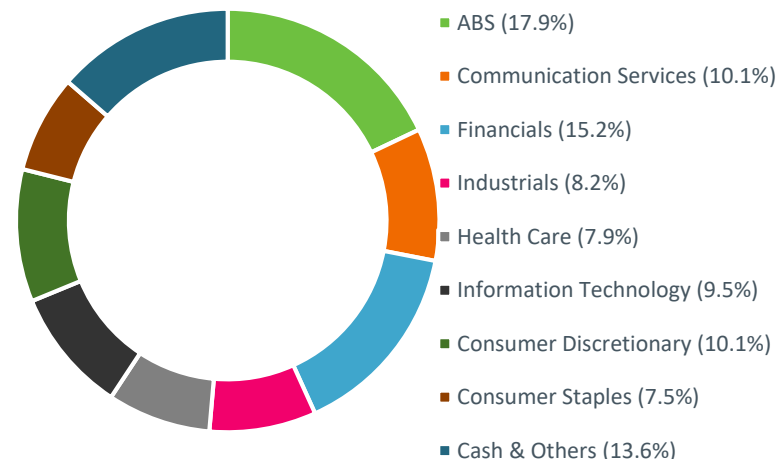
## Fund performance vs benchmark



## Country Weights



## Sector Weights



## BlackRock UK Gilts

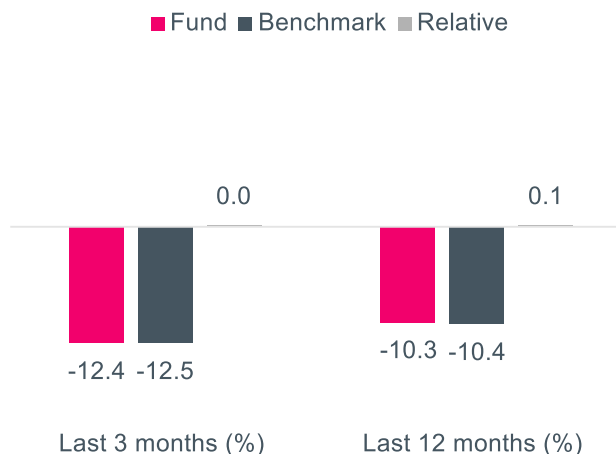
BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

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

Over the quarter the fund returned -12.4% as gilt yields rose sharply with inflation concerns causing a spike in yields globally. The mandate has a long duration and is therefore more sensitive to changes in yields.

In periods of volatility, gilts offer downside protection due to their 'safe haven' status.

## Fund performance vs benchmark

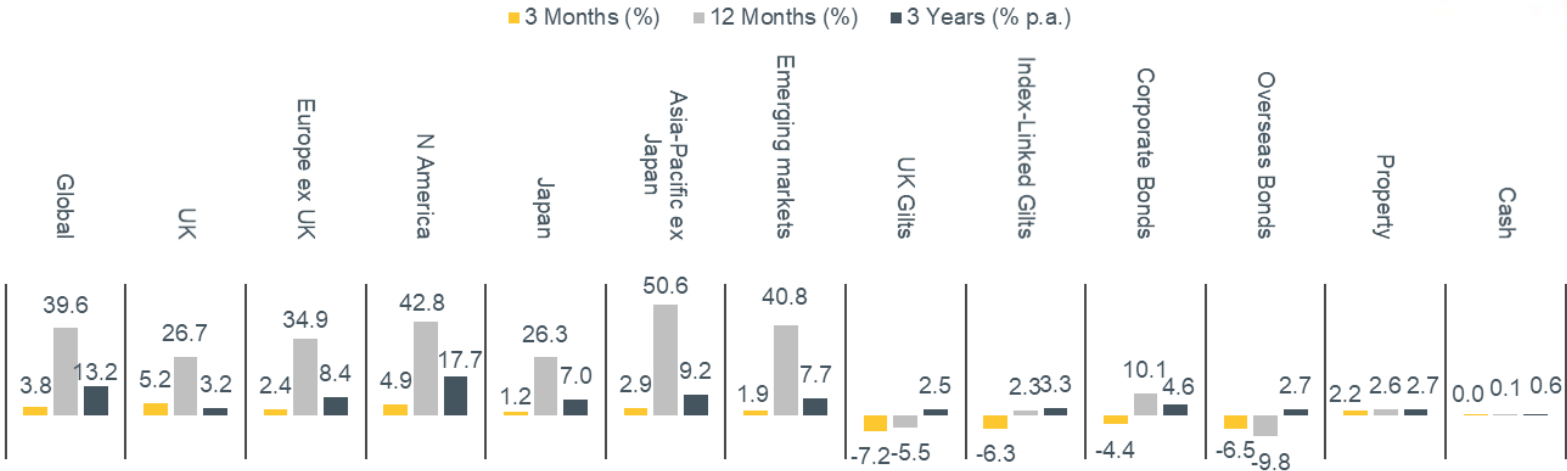


Consensus forecasts for global GDP growth have continued to improve, to 5.6% in 2021, following a 3.6% contraction in 2020. Recent data confirms that although the quarterly pace of global growth slowed in Q1 after a robust H2 2020, the hit to activity from tighter restrictions has been less than initially feared. Expectations of a re-acceleration of growth beyond Q2 seem well-founded amid significant progress in vaccine rollouts and massive fiscal support in the US. Indeed, March's global composite PMI rose to its highest level in over 6 years.

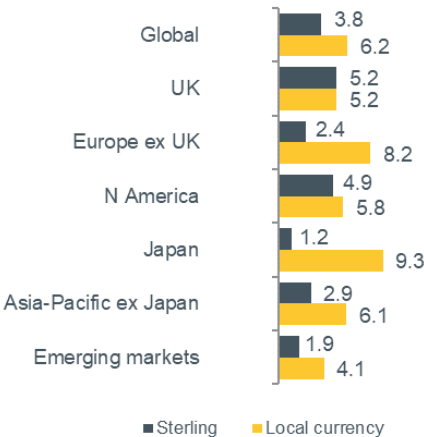
Global equity markets gained 6.2% during the quarter. The improving economic outlook was supportive for more cyclical sectors with energy, financials, basic materials, and industrials the top performing sectors year-to-date, in that order.

Sectoral performance helps explain regional equity performance: Japan and Europe ex-UK, with their above average exposures to industrials, lead the regional performance rankings year-to-date. Emerging markets underperformed markedly, weighed on by a stronger dollar and a Chinese equity market sell-off in February. Despite a higher than average exposure to oil & gas and financials, the UK market underperformed, perhaps weighed down by sterling strength given the high proportion of overseas earnings in the index.

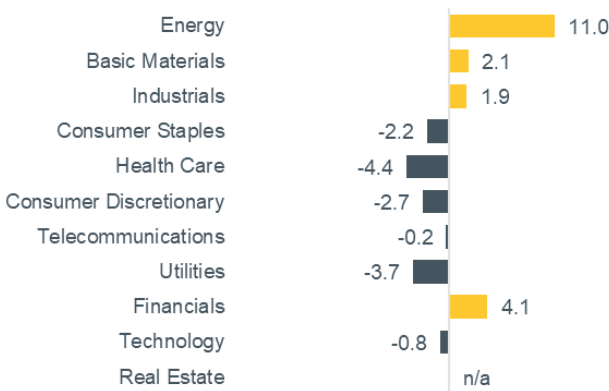
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, 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; UK Interbank 7 Day. [2] FTSE All World Indices. Commentary compares regional equity returns in local currency. [3] Returns shown relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021 – returns for Real Estate will be included when there is a sufficient track record.



While realised inflation has remained subdued, UK headline CPI inflation rose to 0.7% year-on-year in March, a resumption of activity and deferred consumption alongside rising oil prices are expected to lead to higher inflation in the short-term.

Reflecting the improvement in economic outlook, government bond yields rose significantly: UK 10-year government bond yields rose 0.7% p.a. to 0.8% p.a. Real yields rose less, with 10-year implied inflation, based on the difference in yield on conventional and index-linked gilts, rising 0.4% p.a. to 3.7% p.a.

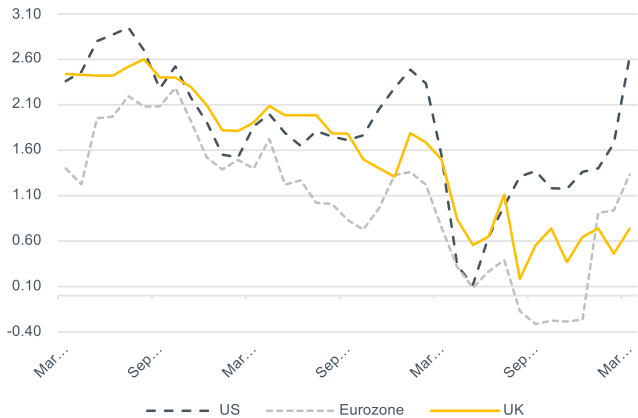
Rising sovereign bond yields weighed on total returns in fixed interest credit markets, which are negative year-to-date for investment-grade markets. Global investment-grade spreads fell 0.1% p.a. to 1.0% p.a. and speculative-grade spreads fell 0.4% p.a. to 3.7% p.a.

Sterling continued to move higher, rising 4.1% in trade-weighted terms. Relative improvement in the economic outlook and increased market-implied odds of rate rises saw the US dollar rise 2.5%, in trade-weighted terms, while the Euro and Japanese Yen fell 1.7% and 4.4%, respectively.

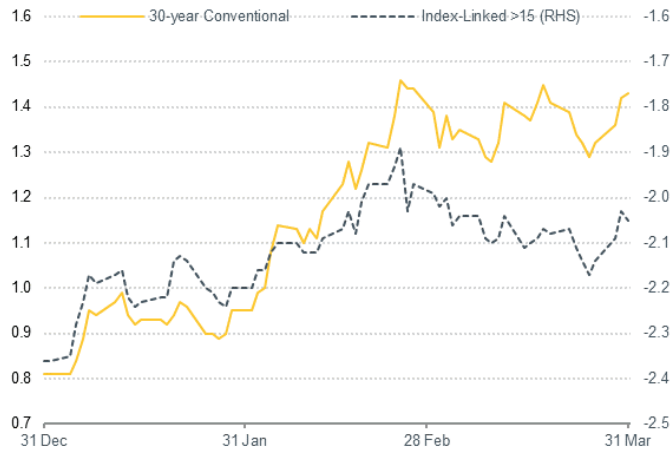
Despite slipping towards the end of the period, oil prices rose 22.4% in the first quarter to \$64 per barrel, while the dollar spot price of gold slipped 10.2% as bond yields rose.

The rolling 12-month total return on the MSCI UK Monthly Property Index was 2.6% to the end of March. Capital values, in aggregate, fell 2.9% over the period (driven by a 12.4% decline in retail sector), however aggregate monthly capital value growth has been positive since November.

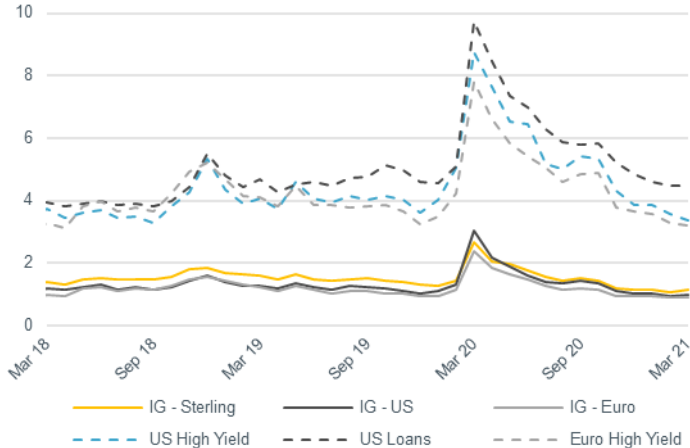
Annual CPI Inflation (% p.a.)



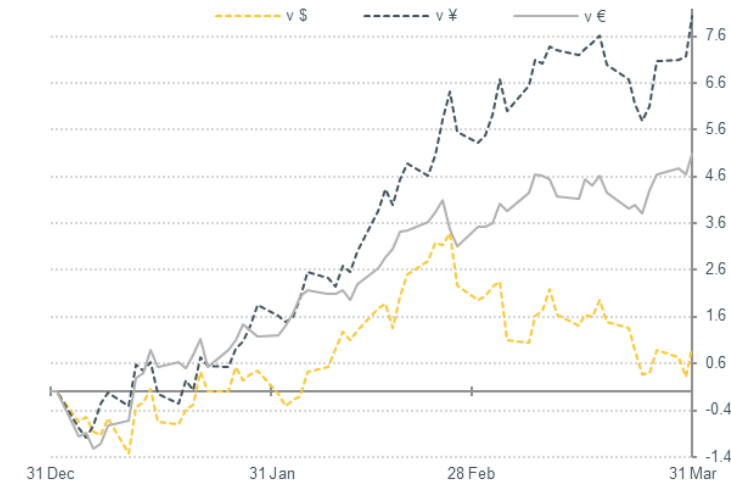
Gilt yields chart (% p.a.)



Investment and speculative grade credit spreads (% p.a.)



Sterling trend chart (% change)



Source: DataStream, Barings and ICE



## Hymans Rating

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 Investment

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.

## 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, 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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## Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

## Funding issues update June 2021

### Summary

The Sub-Committee is asked to note the updates on the following funding issues:

- Covid-19 has affected mortality rates, investment returns and employer covenant, and will have a longer-term impact on the life expectancy improvement assumption made at the next valuation in 2022.
- New regulations have been introduced since the last formal valuation which affect how contributions are determined, particularly for employers leaving or planning to leave the Fund.
- The £95,000 cap on exit payments to public sector employees has been revoked but the issue has not completely gone away.
- The results of the analysis by the Government Actuary's Department on the 2019 valuation have not yet been published but we do not expect any issues to be raised. The results of the latest Cost Management valuation are not yet available.
- A focus this year will be preparation for next year's actuarial valuation. Contribution modelling for the London Borough of Brent will take place later this year, including consideration of climate risk.

### Purpose and Scope

This paper has been commissioned by and is addressed to London Borough of Brent in its capacity as Administering Authority to the London Borough of Brent Pension Fund ("the Fund"). Its purpose is to summarise and update the London Borough of Brent Pension Fund Sub-Committee on:

- A. an introduction to funding and some history of how the funding plan has evolved in the Fund;
- B. important funding issues which have arisen since the formal valuation, such as COVID-19, legislative changes, and GAD Section 13 "like for like" analysis of the LGPS;
- C. some key funding topics for the Committee to be aware of in the remainder of the Fund year 2021/22, such as climate risk, the national Cost Management process, and planning for the 2022 valuation.

There is a glossary at the end of this paper which defines in plain English some of the funding terms used in this paper and throughout other funding communications, for reference.

## A. An introduction to pension scheme funding

The Fund is part of the Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for employees of local government authorities, and similar or related bodies, across the whole of the UK. The London Borough of Brent as the Administering Authority runs the London Borough of Brent Pension Fund, in effect the LGPS for the London Borough of Brent area.

The majority of the Fund relates to employees or former employees of the London Borough of Brent, but there are a range of different employers who can participate in an LGPS Fund, such as: Colleges and universities; Charities and housing associations; Contractors, for the length of time they carry out a contract for (say) the Council; and Academy schools.

There are currently around 30 active employers in the Fund, of which over 20 are academy schools.

The Pension Fund Sub-Committee is responsible for setting the funding and investment strategy for the Fund. This paper considers only the funding strategy – in other words how the Fund agrees the contributions that will be collected from all employers in the Fund. The investment strategy sets out how those contributions and the accumulated assets will be invested to meet future benefit payments.

The Pension Fund Sub-Committee is also responsible for ensuring that the Fund is administered correctly; such that the correct benefits are paid to members in a timely fashion and that employee contributions are correctly collected.

### Employer contribution rates

Employer contributions are set by the Fund Actuary (Douglas Green and Peter MacRae of Hymans Robertson). The Fund has an obligation to ensure each employer meets the cost of the benefits earned by their own employees, and that cross-subsidies between unconnected employers are limited.

Each employer has its own asset share within the Fund which grows with contributions paid from the employer and its employees, and the investment returns earned on those assets. Benefits are then paid out to ex-employees (and their dependants) from that asset share.

Each employer will meet the cost of promised benefit payments that are not met by employee contributions (which are set by the LGPS Regulations) and investment returns: this is known as the “balance of the cost”. The Actuary calculates how much each employer’s contributions need to be to ensure that its asset share is likely to be sufficient to meet the promised benefits. This means that contribution rates can vary greatly between employers, because each is paying its own way regardless of the circumstances of other employers in the Fund.

Employer contribution rates are reassessed as part of the actuarial valuation, which is carried out every three years (the last one being as at 31 March 2019, setting contributions for the three years beginning 1 April 2020). Contribution rates can stay the same, or go up or down, depending how investment markets, the employer’s membership and the employer’s circumstances have changed.

The Fund is required by LGPS Regulations to have a Funding Strategy Statement (“FSS”). The FSS sets out how contributions are calculated for each of the Fund’s employers.

The Fund’s current FSS is available [on its website here: <https://www.brent.gov.uk/media/16416177/200326-lb-of-brent-2019-valuation-funding-strategy-statement-exit-credit-regs-change-march-2020.pdf>]. The first two sections of the FSS in particular give an expanded description of the above points.

### How the Funding Strategy has evolved

The Fund Actuary carries out a formal valuation every three years where the Funding Strategy is reviewed. Typically the Funding Strategy will vary for different types of employers as summarised below.

### London Borough of Brent

As a long-term secure employer, contributions for this employer are set with stability as a key objective.

Since the 2013 valuation, the Fund has adopted a “stabilisation” mechanism for setting contributions, which means contributions do not change by more than an agreed percentage of pay each year. This approach is tested by considering thousands of future economic scenarios, and ensuring that in the majority of scenarios there are sufficient assets to meet benefit payments.

Prior to the 2013 valuation contributions were set considering a single set of market derived assumptions only. This meant that contributions could vary significantly from one valuation to the next.

### General approach for non-Council employers

Contributions for this group are set such that:

- there are projected to be sufficient assets (“the funding target”)
- in a set proportion of future scenarios (“the likelihood of success”)
- at the end of an appropriate time period (“the time horizon”)

The FSS sets out the funding target, likelihood of success and the time horizon for all types of employers. This approach allows contributions to be set which reflect the risk of each employer and their own circumstances.

A brief summary of the approach for groups of employers is set out below:

**Academies:** Time horizon and contribution rates in line with the London Borough of Brent, assuming ongoing participation in the Fund, as long-term and secure employers.

**Charities/housing associations etc:** Time horizon is decided based on the employer’s status on new entrants (19 years if open and future working lifetime if closed). This is to reduce the risk of a funding deficit arising and is further reflected in the potential ‘gilts exit basis’ funding target.

**Contractors:** Time horizon set in line with letting employer, ‘contractor exit basis’ for funding target.

### Recent employer funding issues

At the conclusion of the last actuarial valuation (effective 31 March 2019 ) we signed a valuation report in March 2020 which included a legally required document called a “Rates & Adjustments Certificate”; this R&A lists all the employers in Fund, and for each of them confirms the employer contribution payable in each of the three years beginning 1 April 2020.

The actuarial valuation report including R&A is available [on the Fund’s website here:

<https://www.brent.gov.uk/media/16416178/200326-lb-brent-2019-actuarial-valuation-report-final.pdf>].

## B. Hot topics in LGPS funding

### Impact of Covid-19

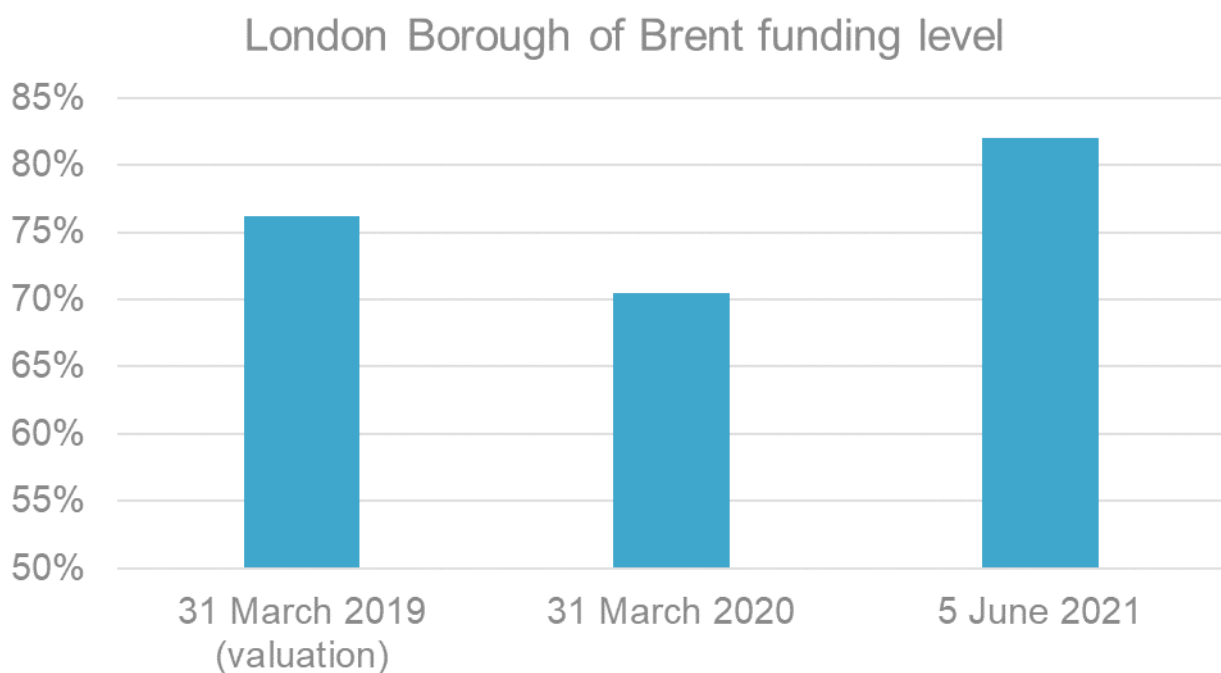
In general terms, the COVID-19 pandemic and lockdown has affected funding in three material ways:

- Market fluctuations
- Employer covenant risk
- Potential life expectancy changes

#### Market fluctuations

Markets across the globe reacted very strongly to the pandemic and consequent lockdowns, reflecting the much reduced prospect of economic and other activity. In particular, market falls in Spring 2020 were very severe, so that the London Borough of Brent's own funding level fell from 76% at 31 March 2019 to an estimated 70% at 31 March 2020.

However, throughout the remainder of 2020 and continuing into 2021 stock markets bounced back strongly, so that by the start of June 2021 the funding level had recovered to around 82%.



Therefore, whilst market uncertainty is still clearly present, and funding levels will understandably continue to be as volatile as before 2020, it does appear that Spring 2020 did not represent a “re-setting” of markets at a reduced level.

#### Employer covenant risk

The Fund relies on its employers to continue making contributions to their asset shares to provide the funding for members' future benefits. It is possible that an employer's business is so severely harmed by the impact of the pandemic and lockdown that it may struggle to afford its contributions or even that its continued operation is in doubt.

The Fund's experience of this to date is cautiously positive and there have been few if any instances of employers struggling to pay contributions. This remains to be monitored as the country emerges from lockdown measures, the furlough scheme is wound down, and the spread of the virus is contained or new variants emerge.

### **Potential life expectancy changes**

As we are all too sadly aware, the COVID-19 pandemic resulted in a significant rise in mortality during 2020. At the next formal valuation, we will be able to assess the impact on the Fund of its pensioner (and other beneficiaries) deaths being greater than expected.

There is also a potential impact on future life expectancy improvements and this won't be known for some time. There are two potential future directions:

- (a) the impact of COVID-19 causes a long-term slowdown in life expectancy improvements (or even a reversal) as a result of the virus continuing to circulate and other long-term health impacts (for example, long COVID or delayed hospital treatment).
- (b) life expectancy will improve more quickly as a result of, for example, improved hygiene measures or the health benefits from more flexible working patterns.

Realistically it is likely that both will apply to some extent (perhaps to different segments of the population), and it is a matter of whether one outweighs the other (or they broadly balance out).

The Fund's own longevity assumptions are derived by us on the basis of analysis carried out by [Club Vita](#). We will work with Club Vita in the approach to the next actuarial valuation, and will agree with you appropriate life expectancy assumptions which reflect the impact of COVID-19 nationally and for your Fund.

### **Recent legislation on employer flexibilities and exit credits**

When an employer leaves the Fund, typically a "cessation valuation" is carried out to determine the employer's position in the Fund. The employer's asset share is compared to the value of the benefits promised to employees and ex-employees ("the liabilities"). Any shortfall is known as the "deficit" and any excess is known as the "surplus."

#### **Exit credits**

Prior to 2018, any employer leaving with a surplus had no entitlement to have this paid back to them. Legislation changed in May 2018 so that Funds had to pay employers any surplus when they leave the Fund. The surplus payment is known as an "exit credit".

In England & Wales, further legislation was added in 2020 to clarify that the surplus was at the Fund's discretion, and it had to consider whether there were other factors (eg business agreements between the contractor and Letting Employer) which might mean the surplus was only payable in part or not at all. These factors need to be brought out in the Fund's FSS or a separate policy.

#### **Employer flexibilities**

If an employer has a deficit on exit, the Fund will normally request payment in a single lump sum. For some exiting employers, this lump sum payment is unaffordable.

Legislation was brought in for the English & Welsh LGPS Funds on 23 September 2020, to allow Funds to treat employers flexibly where they considered it appropriate. The following two options are now permitted:

1. The Fund can permit the employer to repay the deficit in instalments like a fixed-interest loan.



2. The employer can enter into a Deferred Debt Agreement (DDA). A DDA is where the employer remains in the Fund and pays contributions towards their deficit, but no further benefits are earned by the employees. The employer retains the benefit (or otherwise) of investment returns on the assets, and its contributions will be revised periodically before the deficit is ultimately repaid.

The same update to the Regulations also allows for the employer or the Fund to request an update to the employer's contribution rate between formal actuarial valuations in some circumstances.

There is additional guidance provided to LGPS Funds around these new flexibilities, and in broad terms the Fund should reflect its policies in these areas in its FSS.

### Early retirement factors

If a member retires early with a full pension, this means there is a "strain" on the funding costs for his/her employer, because the pension is being paid for longer than anticipated. The cost of the early provision of this pension is calculated using early retirement factors calculated by the Actuary.

### The £95,000 cap

In November 2020 the UK Government brought in legislation to limit the size of exit packages for people leaving the public sector by capping these at £95,000. The package was defined to include any early retirement strain cost for English LGPS cases (in effect it did not apply to Scotland or Wales).

The English situation gave rise to a clash of regulations, if a member's strain cost brought their package value above £95,000: the new legislation required the benefits to be restricted, but the existing LGPS Regulations required the benefit to be paid in full.

In February 2021 the UK Government revoked this new legislation, so that in effect the £95,000 cap is treated as if it had never been brought into place. However a Judicial Review is underway, and we expect to hear later in 2021 whether and how the cap will apply in future.

One of the implications of the £95,000 cap was that early retirement factors needed to be made unisex to avoid male and female early retirements potentially resulting in different benefits. The Fund's existing factors were sex-specific as they were only intended to calculate funding costs for the employer; as men and women have different life expectancies, these funding costs differ between the sexes.

Following the revocation of the £95,000 cap legislation the Fund reverted to the previous (non-unisex) factors as these are administratively easier to apply.

### GAD Section 13 "like for like" analysis of LGPS Funds

After each formal valuation, the Government Actuary's Department (GAD) carries out an analysis of all English & Welsh LGPS Funds, to help comparison of their actuarial valuation results. This is known as the "Section 13" valuation.

This GAD analysis presents metrics on a "like-for-like" fashion, so that reasonable comparisons can be made. Their analysis for the 2019 actuarial valuations was recently produced, albeit the final figures are not yet public and have not yet been fully verified. However, we understand that GAD have no concerns on the Fund's funding plans based on the 2019 analysis.



### C. Looking forward: Key funding issues to watch out for in 2021/22

#### Considering climate change risk as part of setting the funding strategy

Setting the contributions or investment strategy for the Fund involves looking to the future and considering risks. The Fund, taking advice from its Actuary, needs to decide what to do today, based on what could happen to life expectancy, inflation, and investment returns in years to come.

No one would argue that Funds should ignore a material risk, and it is broadly accepted that climate change falls into that category. With climate risk disclosures expected to be mandatory in the LGPS by 2023 there will soon be a regulatory requirement too.

Within the past couple of years Hymans Robertson has carried out basic climate risk analysis for several LGPS funds, illustrating what the high-level funding impact could be under different future climate scenarios.

Building on that experience, climate risk is now becoming an integral part of our advice. This is clearly important in the LGPS where open-ended time horizons mean that the potential impact of climate change is more significant than for a closed private sector scheme. Starting later this year, Hymans Robertson will be “stress testing” modelling results under climate scenarios and (crucially) building the results into decision-making.

The Fund officers have discussed this approach with us and will incorporate it into contribution modelling for the London Borough of Brent which is planned for later in 2021.

#### The national Cost Management process

Benefits earned by members of the LGPS are set in LGPS Regulations. Other public service pension schemes, such as NHS and Teachers, have their benefits set in their own regulations. All public sector benefit structures are subject to periodic review by the Government on the basis of analysis carried out by the Government Actuary’s Department (GAD): this is known as the Cost Management process.

The intention of the process is that:

- should members’ benefits **increase** in value due to certain factors (e.g. members living longer than previously expected), then future benefits should reduce and/or member contributions increase;
- should members’ benefits **decrease** in value due to certain factors (e.g. members not living as long as previously expected), then future benefits should increase and/or member contributions reduce.

The principle is that the benefit structure should be managed so that the overall cost to the public purse remains broadly consistent over time.

In brief, GAD have carried out their analysis in the latest Cost Management process, but details are not yet available: when these are published they will result in one of the following scenarios:

- a) the value is deemed to have materially risen, so member benefits will reduce and/or employee contributions increase, which (all other things being equal) will cause a decrease in employer contributions;
- b) the value is deemed to have remained broadly unchanged, so there will be no change to the benefit structure or contributions by employees or employers;
- c) the value is deemed to have materially fallen, so member benefits will increase and/or employee contributions reduce, which (all other things being equal) will cause an increase in employer contributions.

We will advise when further details are available, and the results will be factored into the next actuarial valuation and setting of employer contributions.

### Planning for the 2022 actuarial valuation

The next formal valuation will take place as at 31 March 2022, with employer contributions being set for the period 1 April 2023 to 31 March 2026.

An actuarial valuation has many aspects, and therefore advance planning and work in this financial year can help spread the burden on officers and the Committee. This could involve work on some or all of the following areas:

- **modelling of Council contribution rates in 2021**, to provide more time in planning for resource and budgeting from 1 April 2023: for long term secure employers such as the London Borough of Brent, we are able to conduct the modelling in advance of the valuation effective date.
- **climate risk modelling** as mentioned earlier. This is planned to happen in conjunction with the contribution modelling described above;
- **individual member data cleansing**: accurate data is the bedrock of our calculations, so it is crucial that the Fund is comfortable with this before we begin our work. There has been significant work undertaken to cleanse the data by the Fund and LPP and we would expect data as at 31 March 2020 and 31 March 2021 to be fit for purpose by the time data submission is required. We have agreed with the officers to carry out a 'dry run' of the data extract required for the valuation using data at 31 March 2020, to identify any issues before the valuation year itself;
- **cashflow data cleansing**: knowing how the Fund's cash receipts and payments are divided among the various employers is essential to establishing each employer's correct asset share. We have agreed that cashflow data for 2019/20 and 2020/21 can be provided this year to reduce the effort required during the valuation itself.
- **employer database**: the key output of the actuarial valuation is the setting of employer contribution rates for the following three years. With c.30 employers in the Fund, and employers starting and ceasing on a regular basis, it is important to have an accurate record of each employer's status in the Fund. We have currently been handling backdated admission agreements and cessations and would hope that all outstanding employer admissions and cessations are dealt with by the time of the valuation;
- **training for Committee and Local Board Members** to ensure they are equipped with the knowledge and skills to appreciate the papers being brought to them and decisions which they will need to make.

### Reliances and limitations

This paper has been prepared for the Fund for the purpose described at the start. It has not been prepared for use for any other purpose and should not be so used. We accept no liability where the paper is used for any other purpose. The paper is not addressed to any third party. We accept no liability where the paper is used by a third party unless we have expressly accepted such liability in writing.

This paper complies with Technical Actuarial Standard TAS 100 (Principles for Technical Actuarial Work) to a proportionate and relevant degree.

Prepared by:-

Peter MacRae


For and on behalf of Hymans Robertson LLP, Actuary to the London Borough of Brent Pension Fund.

## Glossary

<b>Actuarial Valuation</b>	A risk management exercise to review the <b>Primary</b> and <b>Secondary contribution rates</b> , and other statutory information. This is carried out for the whole Fund, and for each individual <b>Employer</b> too.
<b>Administering Authority</b>	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
<b>Admission Bodies</b>	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies (such as charities or housing associations) or Transferee Admission Bodies (i.e. contractors where a <b>Letting Employer</b> outsources some services).
<b>Covenant</b>	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
<b>Designating Employer</b>	Employers that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
<b>Employer</b>	An individual participating body in the Fund, which employs (or used to employ) <b>members</b> of the Fund. Normally the assets and <b>funding target</b> values for each employer are individually tracked, together with its <b>Primary rate</b> at each <b>valuation</b> .
<b>Funding basis</b>	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
<b>Guarantee / guarantor</b>	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's <b>covenant</b> to be as strong as its guarantor's.
<b>Letting Employer</b>	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
<b>LGPS</b>	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is

autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

<b>Maturity</b>	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
<b>Members</b>	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
<b>Primary contribution rate</b>	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses).
<b>Profile</b>	The profile of an employer's membership or liability reflects various measurements of that employer's <b>members</b> , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its <b>maturity</b> also.
<b>Rates and Adjustments Certificate</b>	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal <b>valuation</b> . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
<b>Scheduled Bodies</b>	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
<b>Secondary contribution rate</b>	The difference between the employer's actual and <b>Primary contribution rates</b> .
<b>Stabilisation</b>	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

 <b>Brent</b>	<b>Pensions Fund Sub-Committee</b> 24 June 2021
	<b>Report from the Director of Finance</b>
<b>Brent Pension Fund: Draft Annual Accounts 2020/21</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Two Appendix 1: Brent Pension Fund Draft Accounts 2020/21 Appendix 2: Draft Investment Strategy Statement: June 2021
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance 020 8937 4043 <a href="mailto:Minesh.Patel@brent.gov.uk">Minesh.Patel@brent.gov.uk</a>  Ravinder Jassar, Deputy Director of Finance 020 8937 1487 <a href="mailto:Ravinder.Jassar@brent.gov.uk">Ravinder.Jassar@brent.gov.uk</a>  Flora Osiyemi, Head of Finance 020 8937 2998 <a href="mailto:Flora.Osiyemi@brent.gov.uk">Flora.Osiyemi@brent.gov.uk</a>  Sawan Shah, Senior Finance Analyst 020 8937 1955 <a href="mailto:Sawan.Shah@brent.gov.uk">Sawan.Shah@brent.gov.uk</a>  Saagar Raithatha, Finance Analyst 020 8937 2817 <a href="mailto:Saagar.Raithatha@brent.gov.uk">Saagar.Raithatha@brent.gov.uk</a>

## **1.0 Purpose of the Report**

- 1.1 This report presents the draft Pension Fund Annual Accounts for the year ended 31 March 2021 and the draft Investment Strategy Statement (ISS).

## **2.0 Recommendation(s)**

- 2.1 The Committee is recommended to note this report.

## **3.0 Detail**

- 3.1 Attached as Appendix 1 are the draft Pension Fund Annual Accounts for the year ended 31 March 2021.

- 3.2 The accounts have been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) governing the preparation of the 2020/21 financial statements for Local Government Pension Scheme funds. The accounts (which are unaudited) aim to give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2021.

- 3.3 The main items to note are as follows:

- During 2020/21, the value of the Pension Fund's investments has increased to £1,032m (2019/20 £835m). This is largely due to the bounce back in markets which has followed the steep falls seen at the start of the COVID-19 pandemic, as well as strong performance from the Fund's investment managers.
- 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 Council is in a positive cash-flow position because its contributions exceed its outgoings to members.

- 3.4 Attached in Appendix 2 is an updated draft Investment Strategy Statement (ISS). This is in line with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 which requires administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund.

- 3.5 The committee is invited to comment on the ISS which will be published as part of the Fund's annual report later in the year.

## **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 Fund Accounts

Pension Fund Accounts as at 31 March 2021

2019/20 £m		Notes	2020/21 £m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(60.0)	Contributions	7	(60.9)
(5.2)	Transfers in from other pension funds	8	(5.9)
<b>(65.2)</b>			<b>(66.9)</b>
47.9	Benefits	9	42.3
6.2	Payments to and on account of leavers	10	5.3
<b>54.2</b>			<b>47.7</b>
<b>(11.1)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>(19.2)</b>
3.8	Management expenses	11	4.2
<b>(7.3)</b>	<b>Net (additions)/withdrawals including management expenses</b>		<b>(15.0)</b>
	<b>Returns on investments</b>		
(1.2)	Investment income	12	(0.7)
0.0	Taxes on income	13	0.0
34.1	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(176.1)
<b>32.9</b>	<b>Net return on investments</b>		<b>(176.8)</b>
25.6	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		(191.7)
<b>(864.6)</b>	<b>Opening net assets of the scheme</b>		<b>(839.0)</b>
<b>(839.0)</b>	<b>Closing net assets of the scheme</b>		<b>(1,030.7)</b>

## Net Assets Statement

31 March 2020 £m		Notes	31 March 2021 £m
835.3	Investment assets	14	1,032.3
<b>835.3</b>			<b>1,032.3</b>
4.0	Current assets	20	1.5
0.0	Non-current assets	20	0.0
(0.4)	Current liabilities	21	(3.1)
	<b>Net assets of the fund available to fund</b>		<b>1,030.7</b>
<b>839.0</b>	<b>benefits at the end of the reporting period</b>		

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2021 but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

## Notes to the Brent Pension Fund accounts

### 1. Description of Fund

The Brent Pension Fund (the 'Fund') is part of the Local Government Pension Scheme, and is administered by Brent Council.

The following description of the Fund is a summary only.

#### a) General

The Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

#### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Brent Pension Fund include:

Scheduled bodies whose staff are automatically entitled to be members of the Fund. Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 41 employer organisations with active members within the Brent Pension Fund at 31 March 2021, listed below:

##### **Scheduled bodies**

London Borough of Brent  
Alperton Community School  
ARK Academy  
ARK Elvin Academy  
ARK Franklin Academy  
Braintcroft Primary School  
Capital City Academy  
Claremont High School Academy  
Compass Learning Partnership  
Convent of Jesus & Mary Language College  
Crest Academy  
Furness Primary School  
Gladstone Park Primary School  
Kingsbury High School  
Manor School  
Michaela Community School  
North West London Jewish Day School

Oakington Manor Primary School  
 Our Lady of Grace RC Infants School  
 Our Lady of Grace RC Juniors School  
 Preston Manor High School  
 Queens Park Community School  
 St Andrews and St Francis School  
 St Gregory's RC High School  
 St Margaret Clitherow School  
 Sudbury Primary School  
 The Village School  
 Wembley High Technology College  
 Woodfield School Academy

#### Admitted bodies

Apleona HSG Ltd (previously Bilfinger originally Europa Facility Services Limited)  
 Barnardos  
 Caterlink  
 Conway Aecom  
 Edwards and Blake  
 Local Employment Access Project (LEAP)  
 National Autistic Society (NAS)  
 Ricoh UK  
 Sudbury Neighbourhood Centre  
 Taylor Shaw  
 Veolia  
 Veolia (Ground Maintenance)

31 March 2020	Brent Pension Fund	31 March 2021
40	Number of employers with active members	41
<b>Number of employees in scheme</b>		
5,239	Brent Council	4,457
1,834	Other employers	1,928
<b>7,073</b>	<b>Total</b>	<b>6,385</b>
<b>Number of pensioners</b>		
6,320	Brent Council	6,157
666	Other employers	703
<b>6,986</b>	<b>Total</b>	<b>6,860</b>
<b>Deferred pensioners</b>		
7,928	Brent Council	8,035
1,151	Other employers	1,438
<b>9,079</b>	<b>Total</b>	<b>9,473</b>

The decrease in number of active members in the scheme is primarily due to the data cleanse project work conducted by the Fund's administration provider Local Pensions Partnership (LPP). The objective of this project was to review, cleanse and fix any errors identified in member data. The result of this data cleanse can partially be seen in the increase in deferred members.

#### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2020/21, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% of pensionable pay.

#### d) Benefits

Since April 2014, the scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate 1/49th. Accrued pension is updated annually in line with the Consumer Price index.

For a summary of the scheme before April 2014 and details of a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits, please refer to the LGPS website: [www.lgpsmember.org](http://www.lgpsmember.org)

## *2. Basis of preparation*

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

## *3. Summary of significant accounting policies*

### Fund Account – revenue recognition

#### a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an

accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

## **b) Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section o below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

## **c) Investment income**

### **i) Interest income**

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

### **ii) Dividend income**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

### **iii) Distributions from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

### **iv) Movement in the net market value of investments**

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

## **Fund Account – expense items**

**d) Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

**e) Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

**f) Administration expenses**

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions' administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

**g) Investment management expenses**

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

**Net Assets Statement**

**h) Financial assets**

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- i) Market-quoted investments  
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) Fixed interest securities  
Fixed interest securities are recorded at net market value based on their current yields.
- iii) Unquoted investments  
The fair value of investments for which market quotations are not readily available is

determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

**i) Contingent Assets**

Admitted body employers in the Brent Pension Fund hold bonds to guard against possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 25.

**j) Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

**k) Derivatives**

The Fund does not use derivative financial instruments to manage its exposure to specific risks arising from its investment activities in its own name. Neither does it hold derivatives for speculative



purposes.

**l) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

**m) Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

**n) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

**o) Additional voluntary contributions**

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 22).

#### *4. Critical judgements in applying accounting policies*

**Unquoted private equity/infrastructure investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2021 was £81m (£84m at 31 March 2020).

## Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

## 5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits (Note 19)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £185m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £10m, and a one-year increase in assumed life expectancy would increase the liability by around 3 to 5%.
<b>Private equity/infrastructure</b>	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £81m. There is a risk that this investment may be under- or overstated in the accounts.
<b>Effect of Coronavirus pandemic on investment</b>	Due to the uncertainties in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation	There is a risk that this investment may be under- or overstated in the accounts. The Fund's investment advisors estimate this

valuations	of the Fund's level 3 investments may be affected and the valuations may be mis-stated. The Fund's private equity and infrastructure investments are usually valued in the accounts based on the 31st December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into account recent events relating to the Covid-19 pandemic.	to be up +/- 27.1% of the reported value. Further detail is provided in note 17.
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## 6. Events after the Reporting Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### By category

	2019/20	2020/21
	£m	£m
Employees' contributions	8.5	9.5
Employers' contributions:		
Normal contributions	45.6	47.4
Deficit recovery contributions	1.7	1.7
Augmentation contributions	4.3	2.3
Total employers' contributions	51.5	51.4
<b>Total</b>	<b>60.0</b>	<b>60.9</b>

### By authority

	2019/20	2020/21
	£m	£m
Administering Authority	47.8	47.9
Scheduled bodies	10.3	11.6
Admitted bodies	1.8	1.5
<b>Total</b>	<b>60.0</b>	<b>60.9</b>

## 8. Transfers in from other pension funds

	2019/20	2020/21
	£m	£m
Individual transfers	5.2	5.9
<b>Total</b>	<b>5.2</b>	<b>5.9</b>

## 9. Benefits payable

**By category**

	2019/20	2020/21
	£m	£m
Pensions	38.6	37.5
Commutation and lump sum retirement benefits	8.5	4.1
Lump sum death benefits	0.8	0.7
<b>Total</b>	<b>47.9</b>	<b>42.3</b>

**By authority**

	2019/20	2020/21
	£m	£m
Administering Authority and Scheduled bodies	47.4	42.1
Admitted bodies	0.5	0.2
<b>Total</b>	<b>47.9</b>	<b>42.3</b>

*10. Payments to and on account of leavers*

	2019/20	2020/21
	£m	£m
Individual transfers	5.9	5.0
Refunds to members leaving service	0.3	0.3
Group transfers	0.0	0.0
<b>Total</b>	<b>6.2</b>	<b>5.3</b>

*11. Management Expenses*

	2019/20	2020/21
	£m	£m
Administration costs	1.1	1.8
Investment management expenses	2.4	2.2
Oversight and Governance costs	0.3	0.2
Other expenses	0.0	0.0
<b>Total</b>	<b>3.8</b>	<b>4.2</b>

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £32.8k (£25k 2019/20).

a) Investment management expenses

	2019/20	2020/21
	£m	£m
Management fees	2.3	2.1
Custody fees	0.0	0.1
One-off transaction costs	0.0	0.0
<b>Total</b>	<b>2.3</b>	<b>2.2</b>

Fund Manager	2020/21 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Aviva	0.0	0.0	0.0	0.0
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.5	0.5	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Ruffer	0.4	0.4	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2.2</b>	<b>2.1</b>	<b>0.1</b>	<b>0.0</b>

Fund Manager	2019/20 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Aviva	0.0	0.0	0.0	0.0
Alinda	0.6	0.6	0.0	0.0
Capital Dynamics	0.6	0.6	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.1	0.1	0.0	0.0
LCIV Baillie Gifford DGF	0.3	0.3	0.0	0.0
LCIV Ruffer	0.4	0.4	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.0	0.0	0.0	0.0
Cash	0.1	0.0	0.1	0.0
<b>Total</b>	<b>2.3</b>	<b>2.2</b>	<b>0.1</b>	<b>0.0</b>

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability {see Appendix A, paragraph AG13 of IAS 39}. An incremental cost is

one that would not have been incurred if the authority had not acquired, issued or disposed of the financial instrument.

## 12. Investment income

	2019/20	2020/21
	£m	£m
Dividend income private equities/infrastructure	0.5	0.4
Income from Pooled property investments	0.1	0.0
Income from private equities/infrastructure	0.3	0.2
Interest on cash deposits	0.3	0.1
<b>Total</b>	<b>1.2</b>	<b>0.7</b>

## 13. Taxes on income

	2019/20	2020/21
	£m	£m
Withholding tax	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

## 14. Investments

	Market value 31 March 2020	Market value 31 March 2021
	£m	£m
<b>Investment assets</b>		
Pooled investments	697.0	897.4
Pooled property investments	0.1	0.0
Private equity/infrastructure	84.3	81.1
<b>Total investments</b>	<b>781.4</b>	<b>978.5</b>

#### 14a) Investments 20/21

	Market value 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2021
	£m	£m	£m	£m	£m
Pooled investments	697.0	68.0	(57.3)	189.7	897.4
Pooled property investments	0.1	0.0	0.0	(0.2)	0.0
Private equity/infrastructure	84.3	19.2	(9.0)	(13.4)	81.1
	<b>781.4</b>	<b>87.2</b>	<b>(66.3)</b>	<b>176.1</b>	<b>978.5</b>
Other investment balances: Cash Deposit	53.9				53.8
Investment income due	0.0				0.0
Net investment assets	<b><u>835.3</u></b>				<b><u>1,032.3</u></b>

#### Investments 19/20

	Market value 1 April 2019	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2020
	£m	£m	£m	£m	£m
Pooled investments	737.7	0.0	(1.2)	(39.5)	697.0
Pooled property investments	0.2	0.0	(3.3)	3.2	0.1
Private equity/infrastructure	95.0	3.2	(16.1)	2.2	84.3
	<b>832.9</b>	<b>3.2</b>	<b>(20.6)</b>	<b>(34.1)</b>	<b>781.4</b>
Other investment balances: Cash Deposit	23.5				53.9
Investment income due	0.0				0.0
Net investment assets	<b><u>856.4</u></b>				<b><u>835.3</u></b>

**14b) Analysis of investments by category**

	31 March 2020 £m	31 March 2021 £m
<b>Pooled funds - additional analysis</b>		
<b>UK</b>		
Fixed income unit trust	30.6	42.8
Unit trusts	212.1	191.9
Diversified growth funds	160.9	221.5
<b>Overseas</b>		
Unit trusts	293.4	441.2
<b>Total Pooled funds</b>	<b>697.0</b>	<b>897.4</b>
<b>Pooled property investments</b>	0.1	0.0
<b>Private equity/infrastructure</b>	84.3	81.1
<b>Total investments</b>	<b>781.4</b>	<b>978.5</b>

**14c) Investments analysed by fund manager**

Market value					
31 March 2020			31 March 2021		
£m	%		£m	%	
387.5	49.6%	Legal & General	501.1	51.2%	
0.2	0.0%	London CIV	0.2	0.0%	
25.2	3.2%	JP Morgan	48.8	5.0%	
59.2	7.6%	Capital Dynamics	46.2	4.7%	
110.8	14.2%	LCIV - Baillie Gifford	130.7	13.4%	
50.1	6.4%	LCIV - Ruffer	90.8	9.3%	
30.6	3.9%	LCIV- MAC (CQS)	42.8	4.4%	
0.5	0.1%	LCIV - Infrastructure	11.8	1.2%	
0.1	0.0%	Aviva	0.0	0.0%	
24.6	3.1%	Alinda	23.1	2.4%	
92.6	11.9%	Blackrock	83.0	8.5%	
<b>781.4</b>	<b>100.0</b>		<b>978.5</b>	<b>100.0</b>	



The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the United Kingdom.

Security	Market value 31 March 2020	% of total fund	Market value 31 March 2021	% of total fund
L&G - Global Equities	293.4	35.1%	441.2	42.7%
L&G - UK Equities	94.1	11.3%	59.9	5.8%
Blackrock - Over 15 year Gilts	92.6	11.1%	83	8.0%
LCIV - Baillie Gifford DGF	110.8	13.3%	130.7	12.7%
LCIV - Ruffer DGF	50.1	6.0%	90.8	8.8%
Cash	53.9	6.5%	53.8	5.2%

#### d) Stock lending

The London Borough of Brent Pension Fund does not operate a Stock Lending programme.

#### 15a. Valuation of financial instruments carried at fair value

The basis of the valuation of each asset class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required

Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts
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### Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value of decrease
		£m	£m	£m
Private equity/ Infrastructure	27.1%	81.1	103.0	59.2

### 15b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

#### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example,

where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Brent Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Transfers between levels will be recognised when there has been a change to observable mark data (improvement or reduction) or other change in valuation technique.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

<b>Values at 31 March 2021</b>	<b>Quoted market price Level 1</b>	<b>Using observable inputs Level 2</b>	<b>With significant unobservable inputs Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	0.0	897.4	81.1	978.5
Loans and receivables	53.8	0.0	0.0	53.8
<b>Total Financial assets</b>	<b>53.8</b>	<b>897.4</b>	<b>81.1</b>	<b>1,032.3</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(3.1)	0.0	0.0	(3.1)
<b>Total Financial liabilities</b>	<b>(3.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.1)</b>
<b>Net Financial assets</b>	<b>50.7</b>	<b>897.4</b>	<b>81.1</b>	<b>1,029.2</b>

Values at 31 March 2020	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	0.0	697.1	84.3	781.4
Loans and receivables	53.9	0.0	0.0	53.9
<b>Total Financial assets</b>	<b>53.9</b>	<b>697.1</b>	<b>84.3</b>	<b>835.3</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(0.4)	0.0	0.0	(0.4)
<b>Total Financial liabilities</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.4)</b>
<b>Net Financial assets</b>	<b>53.5</b>	<b>697.1</b>	<b>84.3</b>	<b>834.9</b>

#### 15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

#### 15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2019	84.3
Transfers into Level 3	0
Transfers out of Level 3	0
Purchases	19.2
Sales	(9.0)
Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	(13.4)
Value at 31 March 2020	81.1

#### 16. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2020			31 March 2021		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
<b>Financial assets</b>					
697.0			897.4		
0.1			0.0		
84.3			81.1		
	53.9			53.8	
	4.0			1.5	
<b>781.4</b>	<b>57.9</b>	<b>0.0</b>	<b>978.5</b>	<b>55.3</b>	<b>0.0</b>
<b>Financial liabilities</b>					
		(0.4)			(3.1)
<b>0</b>	<b>0</b>	<b>(0.4)</b>	<b>0</b>	<b>0</b>	<b>(3.1)</b>
<b>781.4</b>	<b>57.9</b>	<b>(0.4)</b>	<b>978.5</b>	<b>55.3</b>	<b>(3.1)</b>

a) Net gains and losses on financial instruments

31 March 2020		31 March 2021
£m		£m
<b>Financial assets</b>		
(34.1)	Fair value through profit and loss	176.1
<b>61.7</b>	<b>Total</b>	<b>176.1</b>

b) Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2020		31 March 2021	
Carrying Value	Fair Value	Carrying Value	Fair Value
£'000	£'000	£'000	£'000
<b>Financial assets</b>			
781.4	781.4	978.5	978.5
57.9	57.9	55.3	55.3
<b>839.3</b>	<b>839.3</b>	<b>1,033.8</b>	<b>1,033.8</b>
<b>Financial liabilities</b>			
(0.4)	(0.4)	(3.1)	(3.1)
<b>(0.4)</b>	<b>(0.4)</b>	<b>(3.1)</b>	<b>(3.1)</b>

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## 17. Nature and extent of risks arising from financial instruments

### Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

#### a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

## Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

## Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period. (based on data as at 31 March 2021 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. Some of these sensitivities have risen significantly compared to last year. This reflects the prevailing volatility in the markets since the global outbreak of coronavirus. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

### Other price risk – sensitivity analysis

<b>Asset Type</b>	<b>31/03/2021 Value (£m)</b>	<b>Potential market movements (+/-)</b>
Bonds	125.8	7.3%
Equities	550.1	17.9%
Other Pooled investments	221.5	11.4%
Pooled Property investments	0	15.0%
Private Equity/Infrastructure	81.1	27.1%

Had the market price of the fund investments increased/decreased the change in the net assets available to pay benefits in the market price would have been as follows:

<b>Asset Type</b>	<b>31/03/2021 Value</b>	<b>Potential value on increase</b>	<b>Potential value on decrease</b>
Bonds	125.8	135.0	116.6
Equities	550.1	648.6	451.6
Other Pooled investments	221.5	246.8	196.2
Pooled Property investments	0.0	0.0	0.0
Private Equity/Infrastructure	81.1	103.0	59.2
<b>Total</b>	<b>978.5</b>	<b>1,133.3</b>	<b>823.7</b>

#### Interest rate risk exposure asset type

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£m</b>	<b>£m</b>
Cash balances	53.9	53.8
UK Fixed income unit trust	30.6	42.8
<b>Total</b>	<b>84.5</b>	<b>96.6</b>

	<b>Carrying amount as at 31 March 2021</b>	<b>+100BPS</b>	<b>-100BPS</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash balances	53.8	0.5	(0.5)
UK Fixed income unit trust	42.8	0.4	(0.4)
<b>Total</b>	<b>96.6</b>	<b>1.0</b>	<b>(1.0)</b>

	<b>Carrying amount as at 31 March 2020</b>	<b>+100BPS</b>	<b>-100BPS</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash balances	53.9	0.5	(0.5)
UK Fixed income unit trust	30.6	0.3	(0.3)
<b>Total</b>	<b>84.5</b>	<b>0.8</b>	<b>(0.8)</b>



## Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2021 and as at the previous period end:

Currency risk exposure – asset type	Asset value at 31 March 2020	Asset value at 31 March 2021
	£m	£m
Overseas unit trusts	293.4	441.2
Overseas pooled property investments	0.1	0.0
Overseas private equity/infrastructure	84.3	81.1
<b>Total overseas assets</b>	<b>377.8</b>	<b>522.3</b>

A 1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency rate risk	Asset value as at 31 March 2021	+1%	-1%
	£m	£m	£m
Overseas unit trusts	441.2	4.4	(4.4)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure	81.1	0.8	(0.8)
<b>Total</b>	<b>522.3</b>	<b>5.2</b>	<b>(5.2)</b>

Assets exposed to currency rate risk	Asset value as at 31 March 2020	+1%	-1%
	£m	£m	£m
Overseas unit trusts	293.4	2.9	(2.9)
Overseas pooled property investments	0.1	0.0	(0.0)
Overseas private equity/infrastructure	84.3	0.8	(0.8)
<b>Total</b>	<b>377.8</b>	<b>3.8</b>	<b>(3.8)</b>

## b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Pension Fund's cash balance is held in an interest bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £53.8m (31 March 2020: £54.0m). This was held with the following institutions:

	<b>Rating</b>	<b>Balances as at 31 March 2020 £m</b>	<b>Balances as at 31 March 2021 £m</b>
<b>Bank deposit accounts</b>			
NatWest	BBB+	0.8	0.9
Northern Trust		0.1	0.1
Money Market deposits	A+	53.1	52.8
<b>Other short-term lending</b>			
Local authorities		0.0	0.0
<b>Total</b>		<b>54.0</b>	<b>53.8</b>

## c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its pensioner payroll costs and investment commitments.

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2021 the value of illiquid assets was £81.1m, which represented 7.9% (31 March 2020: £84.4m, which represented 10.1%) of the total fund assets.

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2021 are due within one year.

#### Liquidity Risk

	31-Mar-20	%	31-Mar-21	%
Pooled investments	697.0	83.4%	897.4	86.9%
Cash deposits	53.9	6.5%	53.8	5.2%
Investment income due	0.0	0.0%	0.0	0.0%
<b>Total liquid investments</b>	<b>750.9</b>	<b>89.9%</b>	<b>951.2</b>	<b>92.1%</b>
Pooled property investments	0.1	0.0%	0.0	0.0%
Private Equity/Infrastructure	84.3	10.1%	81.1	7.9%
<b>Total illiquid investments</b>	<b>84.4</b>	<b>10.1%</b>	<b>81.1</b>	<b>7.9%</b>
<b>Total investments</b>	<b>835.3</b>	<b>100.0%</b>	<b>1,032.3</b>	<b>100%</b>

#### d) Refinancing risk

The key risk is that the Pension Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

### 18. Funding arrangements

In line with the LGPS Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years from 1 April 2019 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation the Fund was assessed as 78% funded, which is a significant improvement to the 55% valuation at the 2016 valuation. This corresponded to a deficit of £248m

(2016 valuation: £562m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 19 years from April 2019.

Contribution increases or decreases may be phased in over the three-year period beginning 31 March 2020 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2019/20	35.0%
2020/21	35.0%
2021/22	35.0%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

The main actuarial assumptions used for the March 2019 actuarial valuation were as follows:

Discount rate	4.4% p.a.
Pay increases	2.6% p.a.
Pension increases	2.3% p.a.

### Mortality assumptions

Future life expectancy based on the Actuary's fund-specific mortality review was:

Mortality assumption at age 65	Male	Female
Current pensioners	22.1 years	24.3 years

### Commutation assumption

It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

### *19. Actuarial present value of promised retirement benefits*

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take

account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2021 was £1,917m (31 March 2020: £1,489m). This figure includes both vested and non-vested benefits, although the latter is assumed to have a negligible value. The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### Financial assumptions

Inflation/pensions increase rate	2.85%
Salary increase rate	3.15%
Discount rate	2.00%

### Longevity assumption

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.7 years
Future pensioners*	23.5 years	26.2 years

\* Future pensioners are assumed to be currently aged 45

### Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

### Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	171
0.5% p.a. increase in the Salary Increase Rate	1%	10
0.5% p.a. decrease in the discount rate	10%	185

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

## 20. Assets

### a) Current assets

	31 March 2020	31 March 2021
	£m	£m
Debtors:		
- Contributions due – employees	0.7	0.2
- Contributions due – employers	2.9	0.7
- Sundry debtors	0.5	0.6
<b>Total</b>	<b>4.0</b>	<b>1.5</b>

### Analysis of debtors

	31 March 2020	31 March 2021
	£m	£m
Central government bodies	0.5	0.6
Other local authorities	3.5	0.9
Other entities and individuals	0.1	0.0
<b>Total</b>	<b>4.1</b>	<b>1.5</b>

Non- current assets comprises of contributions due from employers, repayable later than a year from the Balance Sheet date.

## 21. Current liabilities

	31 March 2020	31 March 2021
	£m	£m
Group transfers	0.0	0.0
Sundry creditors	0.4	3.1
	<b>0.4</b>	<b>3.1</b>

### Analysis of creditors

	31 March 2020	31 March 2021
	£m	£m
Central government bodies	0.0	0.0
Other entities and individuals	0.4	3.1
<b>Total</b>	<b>0.4</b>	<b>3.1</b>

## 22. Additional voluntary contributions

	Market value 31 March 2020	Market value 31 March 2021
	£m	£m
Clerical Medical	1.3	1.3

Equitable Life	0.2	0.2
Prudential	0.3	0.3
	<u>1.8</u>	<u>1.8</u>

The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

For information, Prudential has since replaced Clerical Medical as the Fund's AVC provider with effect from 1 April 2014.

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

### *23. Related party transactions*

#### **Brent Council**

The Brent Pension Fund is administered by Brent Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.12m (2019/20: £0.997m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £37.3m to the Fund in 2020/21 (2019/20: £33.7m).

#### **Governance**

There are no members of the Pension Fund Sub-Committee who are either in receipt of pension benefits from or active members of the Brent Pension Fund. Each member of the Pension Fund Sub-Committee is required to declare their interests at each meeting.

#### **Key management personnel**

The key management personnel of the fund are the Chief Executive, the Director of Legal & HR, the Chief Finance Officer (s.151 officer) and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	<b>31st March 2020</b>	<b>31st March 2021</b>
	<b>£m</b>	<b>£m</b>
Short Term Benefits	0.039	0.038
Post Employment Benefits	0.011	0.012
Termination Benefits	0.000	0.000
<b>Total Remunerations</b>	<b>0.050</b>	<b>0.050</b>

### *24. Contingent liabilities*

Outstanding capital commitments (investments) at 31 March 2021 totalled £58.3m (31 March 2020: £75.9m).

	<b>31st March 2020</b>	<b>31st March 2021</b>
	<b>£m</b>	<b>£m</b>
Capital Dynamics	13.9	12.6
Alinda Fund II	3.1	2.5
Alinda Fund III	9.5	5.7
London CIV Infrastructure Fund	49.5	37.6
<b>Total</b>	<b>75.9</b>	<b>58.3</b>

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

## *25. Contingent Assets*

### Contingent assets

Two non-associated admitted body employers in the Brent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

	<b>31st March 2020</b>	<b>31st March 2021</b>
	<b>£m</b>	<b>£m</b>
Apleona HSG Limited (previously Bilfinger)	0.1	0.1
Conway Aecom	0.1	0.1
<b>Total</b>	<b>0.2</b>	<b>0.2</b>

## *26. Impairment Losses*

The Fund had no impairment losses at 31 March 2021.



# Investment Strategy Statement: June 2021

## Introduction and background

This is the Investment Strategy Statement ("ISS") of the London Borough of Brent Pension Fund ("the Fund"), which is administered by Brent Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 ("the Regulations"). The Regulations require administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund; they also stipulate certain key issues which must be covered in the Statement.

The ISS has been prepared by the Pension Fund Sub Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee in [TBC] 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The previous review took place in 2020 and was approved by Committee in October 2020. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

The Fund has chosen to opt up and be classified as a Professional client as defined in the Markets in Financial Instruments Directive.

In December 2019, in line with the Competition and Market Authority's Order, the Fund agreed a set of objectives with Hymans Robertson LLP. These are reviewed on, at least, an annual basis.

## The suitability of particular investments and types of investments

The Fund's primary objective is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The funding position will be reviewed at each actuarial valuation, or more frequently as required.

The Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions are agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Fund 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.

The Committee has translated its objectives, taking into account the funding principles outlined above, into a suitable long-term strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The investment strategy takes due account of the maturity profile of the Fund (e.g. in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile;
- The level of expected risk;
- Outlook for asset returns.

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate significantly from the target allocation (accepting that, given the nature of some of the underlying investments, it may take the Fund time to move to the long-term target allocation). This is covered in more detail later in this Statement.

Providing a framework for all investment decision making to enable delivery of the above key objectives are the Fund's investment beliefs. The Fund's currently held investment beliefs which have been updated during the last review are set out in the Appendix.

### Strategic allocation

The Fund's current assets include:

- Equities (UK and overseas)
- Diversified growth
- Government bonds
- Private equity
- Infrastructure
- Property
- Multi asset credit
- Private Debt

The Fund is invested in these asset classes either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks when it is deemed appropriate to do so.

The Regulations require the Fund to set out the maximum percentage relative to the total value of all investments that it will invest in particular investments or classes of investment.

The Fund's long-term strategic target investment allocation is set out in Table 1 below and includes the associated maximum percentage limits for each asset class associated with the long-term strategic targets. In

line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

The Regulations also require the Fund to have regards to the diversification of its investments. The overall strategic benchmark comprises a mix of different assets which provides considerable diversification for the Fund. Table 1 outlines both the long-term target and the interim stage, reflecting the time it takes to fund new mandates. The table also includes the maximum percentage (reflected by the upper limit set for rebalancing) of total Fund value that it will seek to have invested in these assets.

The strategic balance of investment takes account of the risk/return characteristics of each asset class e.g. the potential for higher long term returns from equity is balanced against an expectation of higher levels of short term volatility from this asset class; and by looking at the strategy as a whole and the interaction of the asset classes the Fund holds.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a strategy not previously known to the Committee is proposed, appropriate advice is sought and training is provided to help the Committee reach an informed decision.

**Table 1: Fund allocation**

Asset class	Interim Target allocation %	Long-Term Target allocation %	Upper limit for rebalancing %
UK equities	53	50	65
Overseas equities			
Private Equity	5	-	7.5
<b>Total Growth</b>	<b>58</b>	<b>50</b>	<b>-</b>
Diversified Growth Funds	20	5	25
Infrastructure	5	15	20
Property	-	10	15
Private Debt	-	5	10
<b>Total Income</b>	<b>25</b>	<b>35</b>	<b>-</b>
Multi-asset credit	5	5	10
Government bonds	10	10	15
Cash	2	-	5
Total Protection	17	15	-

<b>Total</b>	<b>100</b>	<b>100</b>	<b>-</b>
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The latest investment strategy review took place during February 2020. At this time the Committee agreed the following updates to the long-term strategic allocation:

- A 5% increase in the allocation to equities;
- A new 5% allocation to private debt;
- A decrease of 10% in the allocation to diversified growth funds (DGFs).

At the same time, long term allocations to property and infrastructure were maintained at the same level (10% and 15% respectively). The Committee is aware that private market investments take time to invest in, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain its exiting target allocation to DGFs which will be monitored and regularly assessed in anticipation of its longer-term reduction in size.

The Fund's actual investment arrangements will deviate from their target over time and therefore regular monitoring takes place to prevent too much deviation from the desired strategic allocation. The rebalancing arrangements in place set out in the final section of this report.

Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

### Restrictions on investment

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have removed the previous restrictions that applied to the 2009 Regulations. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

**Table 2: Investment Restrictions**

Type of investment	Maximum investment by the Fund % of assets
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	15%
5. Total investment in illiquid assets	30%

### Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The managers of the passive funds in which the Fund invests hold a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

### Risk Measurement and Management

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth-oriented assets) to help it achieve its funding objectives. It has a risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

### Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Environmental, social and governance ("ESG") – The risk that ESG related factors (including climate change) reduce the Fund's ability to generate the long-term returns and/or have implications on the Fund's liabilities.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a long-term strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Fund is a long-term investor and therefore, the Committee seeks to act as a responsible asset owner. Further details of the Fund's approach to managing ESG risks are set out later in this document.

The Committee seeks to mitigate systemic risk through holding a diversified portfolio, but appreciate it is not possible to make specific provision for all possible eventualities that may arise under this heading.

### Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- **Illiquidity** – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. Also the risk that, due to the illiquid nature of the asset classes, the Fund cannot implement its agreed investment strategy on a timely basis.
- **Currency risk** – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- **Manager underperformance** – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has rebalancing arrangements to ensure, where possible, the Fund's "actual allocation" does not deviate substantially from its target.

The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term. The Fund also holds liquid diversifying assets over the period while the agreed exposure to less liquid alternatives are being built up.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. Other factors include, but are not limited to, the Committee believing that the manager is not capable of achieving these performance objectives in the future, and/or the manager's company status changes or there are significant staff changes to their investment team. The Fund also has regular correspondence with the London CIV regarding their managers and their approach to monitoring and assessing managers.

#### Other provider risk

- **Transition risk** - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- **Custody risk** – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- **Credit default** – The possibility of default of a counterparty in meeting its obligations.
- **Stock-lending** – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist. Further details of the Fund's approach to pooling and relationship with the London CIV is provided in the section below.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement (Appendix C).



The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London Collective Investment Vehicle (CIV). The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to government.

### Assets to be invested in the pool

The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to government and is reviewed on a regular basis. The key criteria for assessment of Pool solutions will be as follows:

- 1 The pool enables access to an appropriate solution that is consistent with the beliefs, objectives and benchmark criteria set by the Fund and/or
- 2 There is a benefit to the Fund in investing in the solution offered by the pool.

At the time of preparing this statement the Fund has already invested the following assets via the London CIV (see table below).

Asset class	Manager
Diversified Growth Fund	Baillie Gifford
Diversified Growth Fund	Ruffer
Multi-asset Credit	CQS
Emerging Markets Equities	JP Morgan
Infrastructure	StepStone
Private Debt	Tbc

In addition, the Fund has passive equity exposure to LGIM and BlackRock both of which have LGPS specific fee scales in place and have benefits of scale due to being pooled with the managers' other clients' assets. The LCIV consider these passive investments to fall under the pool umbrella.

In time, as set out in the indicative timetable for investing through the pool and in line with one of the Committee's stated beliefs, the intention is for all assets (subject to due diligence) to be transitioned into the London CIV. The exceptions to this are the Fund's passive assets and the Fund's existing investments in closed ended funds (which will run-off over time). The Fund reserves the right to invest its assets outside London CIV where suitable Pool investment solutions are not available.

### Structure and governance of the London CIV

The July 2016 submission to government of the London CIV pool provided a statement addressing the structure and governance of the pool, the mechanisms by which the Fund can hold the pool to account and the services that will be shared or jointly procured. Over time the structure and governance of the Pool may evolve at which point the Fund will outline such details in the ISS. In the meantime, further information is provided on the London CIV's website (<https://londonciv.org.uk/>)

All participants of the CIV are both shareholders and investors in the London CIV company and the governance structure enables both formal and informal scrutiny.

### **How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. As a result, the Committee has committed to undertaking a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Once this audit has taken place the Committee intends to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c30% of the Fund's assets sit directly with the London CIV and this percentage is expected to grow over time. Once passive investments through LGIM and BlackRock are included, c90% of the Fund's assets can be considered to be pooled.

At this stage, the Committee has not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon exposure. Some flexibility may be appropriate to allow the Fund to adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

The Committee consider the Fund's approach to responsible investment in two key areas:



- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- Ongoing engagement and collaborative investment practices will affect positive change through the powers of collective influence.
- We must act as responsible owners
- The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making

More detail on these beliefs can be found in the appendix.

The Committee takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

### **The exercise of rights (including voting rights) attaching to investments**

#### **Voting rights**

The Committee wishes to be an active shareholder and exercise its voting rights to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries..

In practice, the Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on at least an annual basis.

The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by LCIV's Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

### Stewardship

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

The Committee is willing to consider potential investor collaboration opportunities if such opportunities offer the scope to improve engagement with companies and help increase the potential for long-term sustainable returns to be achieved. In the spirit of collective engagement, the Fund became a member of the Local Authority Pension Fund Forum (LAPFF) in 2019, through which it collaborates with other LGPS funds to magnify its voice and maximise the influence of investors as asset owner across a range of corporate governance issues. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

## Appendix – Investment Beliefs

**Clear and well defined objectives are essential to achieve future success** - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

**Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection** - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

**Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy** – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

**Long term investing provides opportunities for enhancing returns** - As a long-term investor it is important that the Fund acts as an asset owner. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

**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.

**Ongoing engagement is preferable to divestment** – The Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

**We must act as responsible owners** – As asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2oC degrees.

**The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making** – Investment managers are responsible for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

**Equities are expected to generate superior long term returns** - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However the Committee also recognise that equities can be highly volatile over the short-term.

**Diversification reduces the overall volatility of the Fund's asset returns** - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

**Passive management has a role to play in the Fund's structure** - The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

**Active management can add value but is not guaranteed** - the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

**Private markets can offer opportunities** - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.


**Choice of benchmark index matters** - the Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

**Rebalancing policies are important** – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

**Fees and transaction costs matter** - The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

**Governance "budget" matters** – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

**The London CIV is the Fund's preferred approach to implementation** – the Committee recognises the potential benefits of LGPS pooling. Their preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV's investment offering.

	<b>Pensions Fund Sub-Committee</b> 24 June 2021
	<b>Report from the Director of Finance</b>
<b>Actuarial Services Procurement</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	n/a
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## 1.0 Purpose of the Report

- 1.1 The purpose of this report is to set out the proposed procurement process to be adopted in relation to the contract for actuarial advice, when the current contract expires on 30 September 2021.

## **2.0 Recommendation(s)**

- 2.1 That the Committee grant delegated authority to the Director of Finance to appoint a provider for actuarial services to the Fund, following a procurement process that will be carried out by officers.

## **3.0 Detail**

- 3.1 In order for Brent to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS) regulations, the Council must appoint a fund actuary for the pension fund.
- 3.2 Actuarial services include the provision of a number of key technical services for the fund including: the triennial valuation of the fund; the 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.
- 3.3 Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires a triennial valuation to be carried out by an actuary as at 31<sup>st</sup> March 2016 and every third year afterwards.
- 3.4 The incumbent provider is Hymans Robertson LLP. The current contract for actuarial services with Hymans Robertson LLP began in October 2017 expires on 30 September 2021.
- 3.5 Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. It is intended to conduct this procurement using one of the Local Government Frameworks for actuarial services. The benefits of using a Framework agreement are that the Council can reduce procurement time and costs because the framework has already been through a competitive tender and OJEU compliant procurement process.
- 3.6 Frameworks increase transparency when it comes to fees, and comparability between firms. Officers therefore feel that the use of the framework presents best value for the fund. It was therefore thought best to use a framework agreement to conduct the procurement exercise.
- 3.7 For example, National LGPS Frameworks, managed by Norfolk County Council, is one such framework available for use by LGPS funds. There are 4 providers of Actuarial Services on this framework: Aon, Barnett Waddingham, Hymans Robertson and Mercer. Finance will consult with Procurement on the appropriate process however framework option has not been finalised.
- 3.8 All costs of the contract will be met fully by the pension fund and there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as actuarial fees. Where bespoke advice is requested by fund employers, the relevant costs are charged back to the employer by the Fund.

#### **4.0 Financial Implications**

- 4.1 The Council must appoint an actuary as this is a regulatory requirement.
- 4.2 The estimated cost of the contract will be approximately £115k per annum. This estimate is based current costs. The exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.

#### **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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 <b>Brent</b>	<b>Pensions Fund Sub-Committee</b> 24 June 2021
	<b>Report from the Director of Finance</b>
<b>LAPFF Engagement Report</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	One Appendix 1: LAPFF Engagement Report Q1 2021
<b>Background Papers:</b>	n/a
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	<p>Minesh Patel, Director of Finance 020 8937 4043 <a href="mailto:Minesh.Patel@brent.gov.uk">Minesh.Patel@brent.gov.uk</a></p> <p>Ravinder Jassar, Deputy Director of Finance 020 8937 1487 <a href="mailto:Ravinder.Jassar@brent.gov.uk">Ravinder.Jassar@brent.gov.uk</a></p> <p>Flora Osiyemi, Head of Finance 020 8937 2998 <a href="mailto:Flora.Osiyemi@brent.gov.uk">Flora.Osiyemi@brent.gov.uk</a></p> <p>Sawan Shah, Senior Finance Analyst 020 8937 1955 <a href="mailto:Sawan.Shah@brent.gov.uk">Sawan.Shah@brent.gov.uk</a></p> <p>Saagar Raithatha, Finance Analyst 020 8937 2817 <a href="mailto:Saagar.Raithatha@brent.gov.uk">Saagar.Raithatha@brent.gov.uk</a></p>

## 1.0 Purpose of the Report

- 1.1 This report is for noting and presents members with an update on the engagement activity undertaken by LAPFF (the Local Authority Pension Fund

Forum) on behalf of the Fund. The Fund's commitment with LAPFF and its work demonstrates its commitment to Responsible Investment and engagement as a way to achieve its objectives.

## **2.0 Recommendation**

- 2.1 The Committee is recommended to note this report.

## **3.0 Background of LAPFF**

- 3.1 LAPFF (the Local Authority Pension Fund Forum) has 82 members, 7 pools and combined assets of £300bn. With investments widespread in many of the sectors, LAPFFs aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.
- 3.2 Leading the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.
- 3.3 In October 2019, the Pension Sub-Committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

## **4.0 Engagement Report**

- 4.1 The LAPFF policy on confidentiality requires that all company correspondence (letters and meeting notes) remain confidential; however LAPFF produce a Quarterly Engagement report to give an overview of the work undertaken. A short summary of key engagement work has been provided in this report. The full report is attached in Appendix 1 and highlights the achievements during the most recent quarter.

### **Engagement Conducted by LAPFF**

- 4.2 Over the last quarter, LAPFF have engaged with National Grid regarding Climate Change in particular. Within the Climate Action 100+ initiative, National Grid has come to be identified as a 'leader' in many respects, not least due to its ambition to operate a zero-carbon electricity system in the UK by 2025 and for the entire company to be net zero by 2050. In engaging, LAPFF have

continued to push on the long-term objective for the company to set targets for its scope 3 emissions and for it to identify a 1.5 degree scenario for the business. For National Grid, the biggest challenge for scope 3 emissions comes from the US electricity and gas distribution businesses and from the carbon-intensity of heat in UK homes. In October 2020, the company announced scope 3 carbon emission reduction targets for the electricity and gas sold to customers of 20% reduction by 2030. This was welcome, and LAPFF will look to continue engagement and take further action where National Grid can better align the company with a 1.5 degree pathway.

- 4.3 The LAPFF chair engaged with HSBC on the group's approach to climate change, with a particular focus on the insurance side of the business, raising concerns over the lack of clarity on climate and business strategy. Following a resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.
- 4.4 LAPFF has been engaging with Vale and BHP for around two years now in relation to both the Samarco and Brumadinho dam collapses. Samarco is a particular concern in relation to the time it is taking to make appropriate reparations. LAPFF will continue to engage with BHP, Vale and the affected communities in the hopes of speeding up reparations. It will check in monthly with the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these types of disasters.
- 4.5 In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell's supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again. After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell's business operations, to ensure that all food parcels were of adequate standard. Compass also publicly made a commitment that free breakfast was going to be included in the food parcels for every child eligible for free school meals from the 25th of January, as a gesture of goodwill.

- 4.6 During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction. Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030. LAPFF is monitoring the company response to the shareholder resolution and will issue guidance to members in due course.
- 4.7 The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal. GM stated that it was aiming for an all-electric future, was aiming for carbon neutrality, and was working with the Science-Based Taskforce Initiative on this aim. Two weeks after the engagement GM formally announced its plans for carbon neutrality by 2040 in products and operations and its aspiration to eliminate tailpipe emission for light-duty vehicles by 2035. The meeting also covered the level of investment in carbon reduction methods relative to other carmakers in electric vehicles and when price parity between electric and internal combustion engine vehicles would be achieved. At both meetings, the just transition to net zero was discussed. This discussion included assurances from both companies about how they were seeking to support their workforce and ensure high standards within their supply chain, including the human rights of miners in Congo.

## **5.0 Financial Implications**

- 5.1 Not applicable.

## **6.0 Legal Implications**

- 6.1 Not applicable.

## **7.0 Equality Implications**

- 7.1 Not applicable.

## **8.0 Consultation with Ward Members and Stakeholders**

- 8.1 Not applicable.

## **9.0 Human Resources**

- 9.1 Not applicable.

**Report sign off:**

***Minesh Patel***  
Director of Finance

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## Quarterly Engagement Report

January-March  
2021

Local  
Authority  
Pension  
Fund  
Forum

# National Grid, BHP, HSBC, Centrica, HSBC, Compass Group, Heidelberg Cement



# CLIMATE EMERGENCY



## National Grid Commits to Vote on Climate

**Objective:** LAPFF has promoted a ‘Say on Climate’ at the National Grid AGM as a crucial mechanism for investors to be able to approve (or otherwise) the company’s net zero transition plans, preferably on an annual basis.

**Achieved:** Following a series of meetings held with the chair, the board announced in March that an advisory vote would be provided for shareholders at the 2021 AGM to put the company’s climate change-related targets and action plan to the 2022 AGM for review and approval.

**In Progress:** Within the Climate Action 100+ (CA100+) investor initiative, National Grid has come to be identified as a ‘leader’ in many respects, not least due to its ambition to operate a zero-carbon electricity system in the UK by 2025 and for the entire company to be net zero by 2050. In engaging we have continued to push on the long-term objective for the company to set targets for its scope 3 emissions and for it to identify a 1.5 degree scenario for the business. For National Grid, the biggest challenge for scope 3 emissions comes from the US

“As a supporter of ‘Say on Climate’, LAPFF is pleased to have been part of securing a vote at this year’s AGM for the company’s climate change targets and action plan. We appreciate the serious consideration the board has given to the matter and very much welcome the company taking this opportunity to seek shareholder support’.

CLlr Rob Chapman, LAPFF vice-chair

electricity and gas distribution businesses and from the carbon-intensity of heat in UK homes. In October 2020, the company announced scope 3 carbon emission reduction targets for the electricity and gas sold to customers of 20% reduction by 2030. This was welcome, and was a target aligned with the Science Based Targets Initiative’s two degrees pathway. CA100+ has issued its benchmarking analysis for National Grid, and engagement will pick up on those areas where further action can better align the company with a 1.5 degree pathway.

## Heidelberg Cement Commits to Review of Lobbying Activity

**Objective:** An ‘explicit and decisive’ response was sought from Heidelberg Cement to towards complying with investor expectations relating to corporate climate lobbying.

**Achieved:** A collaborative letter, under the auspices of the CA100+ initiative, set out a request for public disclosure of a comprehensive corporate lobbying review to assess the alignment of lobbying activities with the Paris Goals, and to set out what steps the Company intends to take in the event of areas identified in misalignment. After a call from lead investors, a response was forthcoming. The company noted it has pushed its associations to take a pro-active stance towards industry transformation in alignment with the Paris agreement and that these actions had already changed the stance of key organisations leading to the publication of carbon-neutrality roadmaps by them.

**In Progress:** The company has fully committed to a review to be published before the 2021 AGM.



## CLIMATE EMERGENCY



### HSBC Resolution Pulled after Shareholder Requests Met

**Objective:** A shareholder resolution was filed for the 2021 HSBC AGM asking for publication of a strategy, with short, medium and long-term targets, to reduce the company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris agreement.

**Achieved:** The LAPFF chair engaged with HSBC in July 2020 on the group's approach to climate change, with a particular focus on the insurance side of the business, raising concerns over the lack of clarity on climate and business strategy. Following the resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has

committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.

**In Progress:** Commitments made by the company are set out in a special resolution tabled by the bank for its 2021 AGM. The bank has committed to publishing a new coal policy by the end of 2021.

### New LAPFF Monitoring Pledge on Samarco Dam Collapse

**Objective:** LAPFF has been engaging with Vale and BHP for around two years now in relation to both the Samarco and Brumadinho dam collapses. Samarco is a particular concern in relation to the time it is taking to make appropriate reparations. Over five years from the dam collapse in Mariana, Brazil, only five of the over 500 houses destroyed have been re-built, and none of them are occupied. Houses represent only one aspect of the reparations needed, including a

restoration of water quality in the Doce River, community cohesion, and mental health services for people suffering from the impacts of the dam collapse.

The reparations were meant to be undertaken by the Renova Foundation, a joint venture established through Vale and BHP in partnership with Brazilian officials. However, Renova has been unable to follow through to date. Part of the problem appears to be that the affected communities do not trust Renova to act on their behalf. In fact, there has now been a lawsuit filed by the Brazilian Public Prosecutor in Minas Gerais, where Mariana is located, calling for Renova to be disbanded. The suit alleges that Renova has served to limit the liability of BHP and Vale rather than pursue the interests of the communities in the reparations process.

Given these obstacles and delays, LAPFF's primary objective is to put pressure on BHP, Vale, and Renova to speed up the reparations process. A corollary of this objective has been to determine what the specific community asks of the companies and of Renova are.

**Achieved:** While BHP Chair, Ken MacKenzie, does not appear to be eager to engage, Cllr McMurdo had another useful meeting with Sandra Guerra, a non-executive director at Vale. He also met with Renova Foundation's CEO, Andre de Freitas. Neither Ms. Guerra nor Mr. de Freitas is happy with the slow pace of reparations, but they both pointed to obstacles they believe have prevented a faster process.

Cllr McMurdo also joined Adam Matthews and John Howchin in LAPFF's quarterly discussion with affected community members. The community members present urged the investors to do more and emphasised the slow pace of reparations. The meeting was quite frustrating in that LAPFF was unable to ascertain exactly what the community is asking of BHP, Vale, and Renova. However, subsequently it became clear that they would like to see Renova disbanded and replaced with an entity that better respects and incorporates community voice into reparations decision-making.

LAPFF does not doubt that there are significant obstacles to providing reparations. Nonetheless, over five years on, it is also clear that no excuses can be made. Cllr McMurdo was clear

## COMPANY ENGAGEMENT

in both meetings that notwithstanding the obstacles articulated, both Vale and Renova, along with BHP, must find a way to speed up the reparations process. LAPFF therefore expressed its intention to all three parties to post monthly on the LAPFF website the number of houses that have been re-built. It is hoped that

all houses will be re-built by 5 November, the next anniversary of the Samarco dam collapse. This first post on the LAPFF website will take place in early April.

**In Progress:** LAPFF will continue to engage with BHP, Vale, the Renova Foundation, and affected communities in the hopes of speeding up reparations. It

will check in monthly with Renova and the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these disasters rather than scrambling to make reparations, where these are even possible, after the fact.

## Resolution Copper Developments on Hold

**Objective:** LAPFF has been engaging with BHP and Rio Tinto on the joint venture, Resolution Copper, to ensure that the project is being undertaken responsibly. Concerns have been raised about the type of engagement the companies have had with communities affected by the project. In particular, the San Carlos Apache Tribe in Arizona has objected to the project, claiming that the proposed copper mine would destroy one of the tribe's sacred sites. Other groups have expressed concerns that Resolution Copper and Rio Tinto – the operating partner in Resolution Copper – have not taken adequate steps to protect natural resources, such as water, affecting surrounding communities. Therefore, meaningful community engagement and protection of natural resources, including water, are the two overarching objectives of this engagement.

**Achieved:** For Resolution Copper to move forward, the US Forest Service must issue an impact assessment that allows for a land swap from the federal government to Rio Tinto. In the final days of the Trump Administration, this impact assessment was issued, and it was assumed that the land swap would follow within 60 days, as prescribed by the law governing the exchange. LAPFF spoke with representatives of Resolution Copper and Rio Tinto, including a representative of the Hopi tribe which, along with the San Carlos Apache, is affected by the Resolution Copper project to obtain the companies' view of the project. LAPFF also reviewed the Forest Service impact assessment.

What emerged from this research was that there were huge gaps in the information provided by the Forest Service impact assessment. Neither the Resolution Copper nor Rio Tinto representatives have provided LAPFF with impact assessments of the mine itself,



despite repeated requests to both parties for this information. They only provided 36 cultural impact assessments pertaining to the land surrounding the mine. The Forest Service impact assessment also refused to assess the mine's impact on the grounds that it would soon be private land and therefore not within the purview of its analysis. This assessment was issued notwithstanding the fact that the lands are still public and there is some question about the legality of transferring them to a private actor. In LAPFF's view, the quality of this assessment was also extremely poor overall. Among other deficiencies, it failed to address water supply issues for the surrounding communities in any useful way.

The water concerns surfaced in a meeting between LAPFF Chair, Cllr Doug McMurdo, and Mayor of Superior, Arizona, Mila Besich. This meeting was very interesting because Mayor Besich is very keen for the Resolution Copper project to proceed. She believes it will bring



Top: Sunrise Dance on the San Carlos Indian Reservation Arizona

Above: Roy Chavez, a resident of Superior, Arizona, and former miner, shows a model detailing the subsidence that can occur from the block cave mining method at the Oak Flat Campground, which Chavez and others believe will be destroyed by eventual cave-in from the Resolution Copper mine.

Picture taken June 13, 2017



## COMPANY ENGAGEMENT

significant economic benefits to her town, which has suffered from job losses and economic woes since the 1980s. However, she spoke about her struggles in engaging with Resolution Copper and Rio Tinto. Specifically, she found the companies dismissive of her community's needs, including access to water. Moreover, she expressed the opinion that what the companies needed to do to fix the water access concerns would have cost the equivalent of a rounding error to them.

LAPFF was concerned after this engagement that there was not enough information to make a good assessment about the risks of the project. Additionally, in LAPFF's view, it made no sense to proceed with the land swap without understanding if the project was viable first. Therefore, LAPFF wrote to Deb Haaland, who was confirmed on 15 March as the new – and first ever Native American – US Secretary of the Interior. The letter expressed LAPFF's concern about the risks surrounding the Resolution Copper project and the need for the companies to engage in a positive way with communities affected by their project.

Just after the Biden Administration took office, LAPFF received notification from a community representative that the US Forest Service impact assessment had been rescinded and that consequently the land swap would be postponed. The US Forest Service will issue a new impact assessment, presumably to help address some of the shortcomings of the rescinded assessment. The time frame for the new Forest Service assessment and land swap is not clear at this point.

**In Progress:** LAPFF has made clear to both BHP and Rio Tinto that there cannot be another Juukan Gorge (the event in Western Australia where Rio Tinto blew up two culturally significant caves against the will of the affected Aboriginal community). LAPFF has also made clear that it makes no sense for the land swap to proceed unless there is clear evidence of Resolution Copper's viability. There are continuing discussions with both BHP and Rio Tinto on these issues. LAPFF continues to be open to discussion with a San Carlos Apache representative who has been invited to discuss the issue with Cllr McMurdo. It is also hoped that with Ms. Haaland's confirmation, she might meet with Cllr McMurdo to share her thoughts on the project.

### Compass Group Food Parcels Questioned

**Objective:** In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell's supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again.

**Achieved:** After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell's business operations, to ensure that all food parcels were of adequate standard. Compass also publicly made a commitment that free breakfast was going to be included in the food parcels for every child eligible for free school meals from the 25<sup>th</sup> of January, as a gesture of goodwill.

**In Progress:** The Forum has since reached out to Compass Group to discuss the

company's governance as a whole during the pandemic and met with the company's Investor Relations representatives on the 31<sup>st</sup> of March.

### Amazon Investor Letter Questions Company's Trade Union Practices

**Objective:** LAPFF signed onto a letter coordinated by Folksam and Ohman to ensure that Amazon is respecting workers' rights to free association and collective bargaining at the company's facility in Bessemer, Alabama in the US. The request includes reassurance that a free and fair union election will take place at the facility.

**Achieved:** There are now investors with just over US\$7.1 trillion in support of this initiative. To date, Amazon has responded in letter form that it has appropriate human rights and labour standards in place. The company stated that it respects trade union rights and has good relationships with its employees. However, the investors in this collaborative engagement have not been satisfied with the company's response. This is in part due to reports that Amazon has hired a consulting company to obstruct trade union activities.

**In Progress:** There has been a follow up letter sent requesting a meeting with Amazon to discuss this issue further. The investors are awaiting a response from the company.



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### LAPFF Challenges Shell on Climate Transition Plan

**Objective:** LAPFF continues to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. The Forum is very keen to continue the collaboration with other investors, and make sure that investors collectively communicate a consistent and robust case to ensure all aspects of the company's financial outcomes and performance are understood fully.

**Achieved:** Last year, 2020, LAPFF recommended voting for a shareholder resolution at the Shell AGM that requested specific targets for Shell's claimed climate change ambitions. However, on 11 February 2021 Shell published goals that are ambiguous. For example, it claims to remove 120 million tonnes of carbon dioxide by introducing nature-based solutions (trees) by 2030. Achieving that target would require a mature forest the size of Washington State, which is difficult to envisage. In addition, Shell claims to want to remove 25 million tonnes of carbon dioxide by carbon capture and storage (CCS) by 2035. This has not been detailed or scheduled in any other material. The claim represents ten times the largest existing CCS project – [Gorgon Project](#) (Shell 25 percent, Chevron 75 percent) and this project in Australia continues to experience problems. Shell's announcement includes increasing liquid natural gas output by 20 percent by 2030 and only plans for a 17 percent reduction in oil extraction, compared to BPs 40 percent.

**In Progress:** Shell has proposed a non-binding shareholder resolution on its climate change plans. The LAPFF position will be guided by research and further engagement. At present, it is considered much more detail and evidence is required before any conclusions can be drawn about what vote is advisable.

### Israeli-Palestinian Letters

**Objective:** The Israeli-Palestinian Territories have long been fraught with controversy. In February 2020, the Office of the United Nations High Commissioner for Human Rights published a list of 112 business entities that it had identified as having business activities related to settlements in these territories. The

Forum has been monitoring the ongoing situation in the territories and reached out to 16 companies in which a number of member funds hold to seek an engagement meeting. The aim of these engagement letters was to ascertain whether these companies had undertaken human rights impact assessments on their operations and if not, ask them to do so.

**Achieved:** Out of the 16 companies, LAPFF had one engagement meeting in the third quarter of 2020 with Altice Europe NV and received a number of responses from other companies. As a general blanket response from those whom responded in only written form, companies considered that they were acting in accordance with local law by not discriminating against any residents of the territories in which they were operating. These companies were concerned that simply operating in these areas was justification enough for them to be included on what many observers have dubbed a 'blacklist' from the UN.

**In Progress:** The Forum reached out to the UN OHCHR, seeking a meeting to engage on a couple of aspects of the UN list: (1) the methodology used when deciding what companies would be included on their list; and (2) what the UN considers companies have to do or provide for them to be removed from the list. This meeting took place at the end of March. The Forum has also been investigating models for a human rights impact assessments as a baseline to provide companies with in what the Forum might expect them to be undertaking.

### Suzano and CA100+

**Objective:** Suzano, the Brazilian-based pulp and paper company, has been identified by CA100+ as critical to the net-zero energy transition. As one of two lead investors, LAPFF has been engaging with the company over the last 18 months, pushing it to take action to reduce greenhouse gas emissions, improve disclosures, and implement a strong governance framework from which company decision making can be made accountable. In January, LAPFF met with the company to encourage a response to the CA100+ net zero company benchmark. The benchmark will enable comparative assessment of the world's key emitters and the extent to which

businesses have aligned with a 1.5 degree global temperature rise.

**Achieved:** Since LAPFF began engaging with Suzano 18 months ago the company has set a target to reduce emissions intensity of scope 1 & 2 emissions by 15% by 2030. The company has also set a goal of removing an additional 40 million tons of carbon from the atmosphere by 2030, this on top of the already established target of carbon neutrality. Suzano has a forest base of approximately 2.2 million hectares and therefore the degree to which carbon can be sequestered naturally is significant. The company recognises the contribution its natural asset base can make to global net-zero efforts which is reflected in its carbon-negative ambition. In terms of disclosure, the company submitted a response to the CA100+ global benchmark during January 2021. After the data has been collated, LAPFF will be able to identify areas of the Suzano's carbon reduction strategy in which it is excelling as well as those areas improvements are required.

**In Progress:** LAPFF will continue to focus on the company's carbon reduction strategy with a focus on setting more ambitious scope 1 & 2 emission reduction targets. It is important that Suzano's natural offsetting capability is not used as a distraction from reducing its operational emissions. There is a finite carbon budget available all of which will be required to support industry in sectors that are harder to abate.

### Tesco and Nutrition

**Objective:** During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction.

**Achieved:** Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and



## COMPANY ENGAGEMENT

non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030.

**In Progress:** LAPFF is monitoring the company response to the shareholder resolution and will issue guidance to members in due course.

### Volkswagen and General Motors on Electric Vehicles and Climate Change

**Objective:** Vehicle emissions are a major contributor to carbon emissions. As a result, carmakers are facing tightening regulatory environments. Rapidly changing emissions standards present financial risks to those carmakers not seeking to move to electric vehicle production. LAPFF has sought to engage with the auto industry to ascertain how car makers will be approaching the challenges of electrifying their fleets, to push for net zero commitments, and to ensure that plans would support a just transition to net zero.

**Achieved:** The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal.

GM stated that it was aiming for an all-electric future, was aiming for carbon neutrality, and was working with the Science-Based Taskforce Initiative on this aim. Two weeks after the engagement GM formally announced its plans for carbon neutrality by 2040 in products and operations and its aspiration to eliminate tailpipe emission for light-duty vehicles by 2035. The meeting also covered the level of investment in carbon reduction methods relative to other carmakers in electric vehicles and when price parity between electric and internal combustion engine vehicles would be achieved.

At both meetings, the just transition to net zero was discussed. This discussion included assurances from both companies about how they were seeking to support their workforce and ensure high standards within their supply chain, including the human rights of miners in the Congo.

**In Progress:** LAPFF hopes that manufacturers that haven't already set



Lithium Ion Battery for Chevrolet Volt Electric Car

science-based targets for their scope 3 emissions will do so imminently and also expects investee companies to ensure that they are sufficiently capable of electrifying their fleets. The Forum intends to continue engagements with carmakers to ensure that they are meeting their targets and that short-term emission reductions are being achieved. This goal is especially important given the rise in the sales of larger vehicles which in some cases is offsetting gains from greater fuel efficiency and increased electric vehicle sales.

### AngloAmerican on Climate

**Objective:** LAPFF wrote to AngloAmerican in November 2020 as part of a collaborative initiative coordinated by Sarasin and Partners, underscoring the vital role of accounting and audit in driving the net-zero transition. An Investor Expectation document provided guidance for ensuring material climate risks associated with the transition to a 2050 net zero pathway are fully incorporated into the financial statements. The letter asked that the guide be shared with all members of the Audit Committee as well as the auditor, from whom independent assurance on Paris-alignment is also being sought.

**Achieved:** One of the best responses received to date to a total of 36 letters sent to European companies in the

energy, transportation and materials sectors was from the Audit Committee Chair who clearly understands what was asked for and addresses it directly. He stated that the company has undertaken a review of climate risks in its financial statements and will publish the results in the forthcoming Annual Report and Accounts. The committee chair referred to specific risk areas including valuation of assets (i.e. impairment testing) where the committee considers carbon pricing and the impacts for assets and to asset exposure to physical risks – specifically the Chile copper mines to water scarcity – all of which feeds into the viability statement analysis.

**In Progress:** The audit committee chair has asked that, due to clear parallels, issues raised in this engagement be aligned with CA100+ engagement. LAPFF is also a member of the CA100+ collaborative investor group for Anglo-American.

### LAPFF Socio-Economic Diversity Engagement Kicks Off

**Objective:** LAPFF seeks to enhance the diversity of both boards and the workforce at investee companies. Ensuring diversity across a range of characteristics within boards helps to tackle group think while improving diversity in the workplace helps ensure that all talent

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available to companies is utilised.

**Achieved:** HM Treasury and BEIS have commissioned an independent taskforce to improve socio-economic diversity at senior levels in financial and professional services across the UK. The taskforce is being run by City of London Corporation with support from Deloitte. LAPFF met with a representative from Deloitte to discuss the taskforce and highlight the role of investors. Alongside this meeting, the Forum also attended the latest meeting of 30% Club investor group.

**In Progress:** Over the next quarter the Forum will be meeting with companies from the financial services sector, which has a wide gender pay gap, to push for greater diversity. The Forum intends to stay in contact with the socio-economic diversity taskforce.

### COLLABORATIVE ENGAGEMENTS


#### Asset Manager Engagements

LAPFF Chair, Cllr Doug McMurdo, has met with a range of large global asset managers to discuss their approaches to responsible investment. Topics have covered climate change, human rights, and audit, among others. The goal of these engagements is to ensure that asset managers are engaging on behalf of LAPFF members in a way that facilitates LAPFF's responsible investment policies and objectives. There is some indication that asset managers are starting to take LAPFF's input on board and engage more meaningfully on areas like climate and human rights in the wake of these meetings, but it appears there is a long way to go.

#### CCLA and Rathbones Modern Slavery Engagements

LAPFF has signed up to CCLA's 'Find It, Fix It, Prevent It' engagement and has re-joined the Rathbones modern slavery engagement. Both initiatives pair LAPFF with other responsible investment partners to improve employment standards in companies' supply chains. Rathbones is re-running its vote against slavery engagement in 2021 with 69 FTSE350 companies after success in 2020 in getting target companies to comply with the UK Modern Slavery Act.

## WEBINAR



**Local Authority Pension Fund Forum**

**Webinar on securities lending and responsible investment**

**Webinar with Colombian Community Representatives Affected by Cerrejon**

**The burning of wood by Drax. Is it net zero, sustainable, and replicable?**

**Addressing Rio Tinto's legacy on Bougainville: ongoing environmental and human rights impacts of the Panguna mine**

**"We continue to hear from community members affected by mining companies how little the companies engage with them, if at all. The companies then tell us they are engaging with communities and cherry pick people to extol the companies' virtues. This goes across the industry. Such a massive failure of communication is astounding to me. How do the companies begin to assess their social and environmental risks if they are so selective in their engagements that they don't speak to the people they are impacting the most?"**

Cllr Doug McMurdo, LAPFF Chair

#### IIGCC Shareholder Resolutions Sub-Group meeting

LAPFF has been participating nearly weekly in the IIGCC shareholder resolutions sub-group meeting regarding climate resolutions expected to arise over the course of 2021.

### IOPA ENGAGEMENT MEETINGS

LAPFF has participated in the monthly IOPA meetings around after signing on to a number of letters last year calling for better governance at big pharmaceutical companies around employee safety and bonus structures in light of the current pandemic. There have been multiple resolutions filed through IOPA, one of which recently saw investors revolt against a 'Say on Pay' vote at AmerisourceBergen with 48% of all investors voting against the pay which was made up of 72% non-insiders.

### CONSULTATION RESPONSES

#### LAPFF Just Transition Inquiry

LAPFF has now held two inquiry sessions on the just transition through the All Party Parliamentary Group on local government. In the first session, attendees heard from Rachel McEwen, SSE PLC & Scottish Just Transition Commission, Katrina Szwarc, Grantham Research Institute on Climate Change, Tom Harrington, GMPF, and Alison Tate, International Trade Union Confederation. Lord Deben (Chair, Committee on Climate Change) and Polly Billington (Chief Executive, UK100) spoke at the next evidence session in mid-March. This inquiry will span the whole of 2021 and interim findings are reported at quarterly LAPFF Business Meetings. A final report will be made at the end of the year. A video of the launch on 20th January is [available here](#).

#### EU Human Rights and Environmental Due Diligence Consultation

LAPFF submitted a response to the European Union's consultation on whether to implement a legal framework on human rights and environmental due diligence. This consultation prompted over 100,000 responses, according to Didier Reynierds of the EU. The EU's consultation comes after passage of and referenda on such laws in EU countries including France and Germany. Switzerland also narrowly rejected a

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human rights and environmental due diligence law, although the proposal received the majority of the popular vote.

LAPFF supported the proposal for an EU legal framework on human rights and environmental due diligence. This position is rooted in LAPFF's engagement work which suggests that there are real financial benefits linked to good social and environmental conduct by investee companies. LAPFF's consultation response pointed to LAPFF engagements on climate and human rights to demonstrate how these issues are financially material. On climate, LAPFF has seen the fear of stranded assets come into full focus during the Covid pandemic with companies like Shell failing to offer cogent and convincing climate transition plans. On human rights, LAPFF's work with community members affected by mining projects has highlighted the importance of companies' social licenses to operate as a means of producing sustainable financial returns for investors.

It remains to be seen whether the EU decides to enact such legislation. All indications are that it will. However, there was a lot of debate about what the law might look like, including the role of director duties in this legislation, so we will have to see what form the draft law ultimately takes.

## MEDIA COVERAGE

<https://www.ipe.com/news/lapff-backed-parliamentary-group-launches-just-transition-inquiry/10050135.article>

<https://www.reuters.com/article/resolution-copper-lapff/uk-local-government-pension-group-raises-concerns-over-rio-bhp-arizona-mine-idUSL1N2JJ1XN>

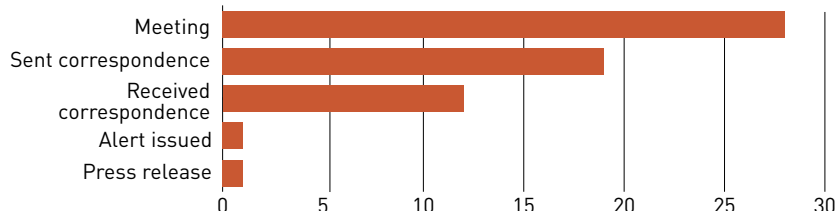
<https://www.ft.com/content/30d2fc62-aa44-11e9-984c-fac8325aaa04>

<https://www.newsroom.co.nz/2019/08/20/762606/nz-super-fund-corrals-15tn-for-livestreaming-action>

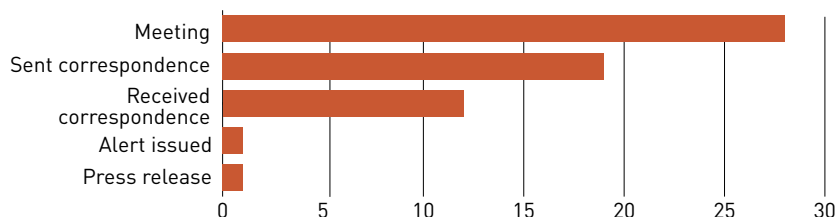
<https://www.itv.com/news/2021-03-25/will-deliveroo-stumble-on-its-stock-market-debut>

## ENGAGEMENT DATA

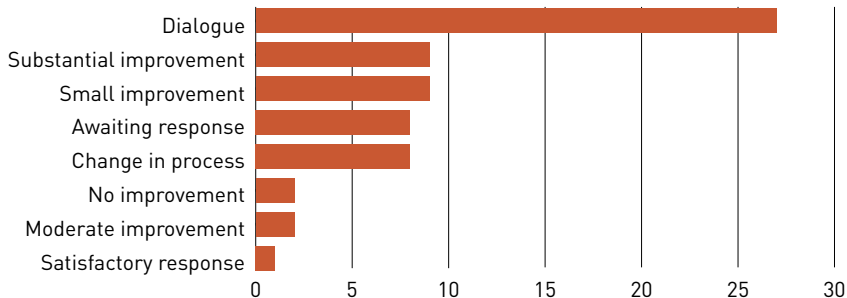
### ENGAGEMENT TOPICS



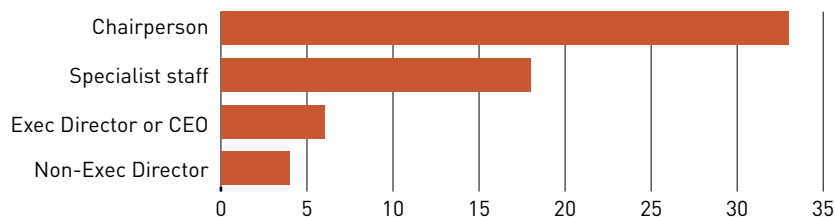
### ACTIVITY



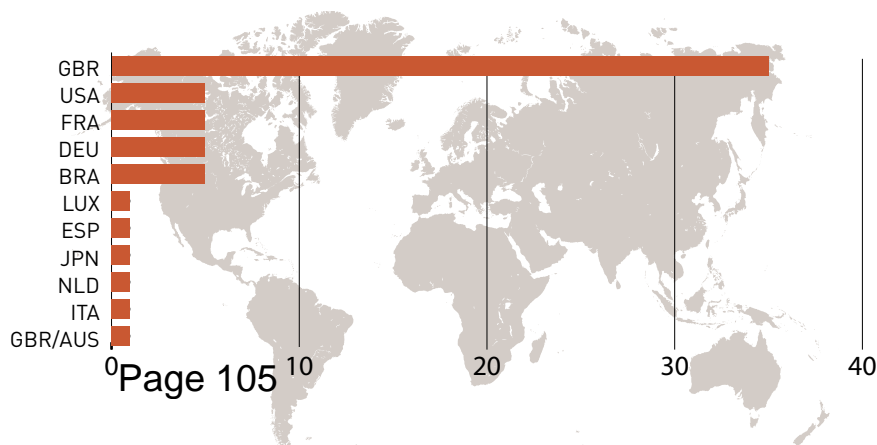
### MEETING ENGAGEMENT OUTCOMES



### POSITION ENGAGED



### COMPANY DOMICILES



## COMPANY PROGRESS REPORT

38 Companies engaged over the quarter

\*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Dialogue
AMAZON.COM INC.	Sent Correspondence	Employment Standards	Dialogue
ANGLO AMERICAN PLC	Received Correspondence	Climate Change	Substantial Improvement
ARCELORMITTAL SA	Meeting	Climate Change	Dialogue
AVIVA PLC	Sent Correspondence	Board Composition	Awaiting Response
BARCLAYS PLC	Meeting	Climate Change	Small Improvement
BHP GROUP PLC	Sent Correspondence	Human Rights	Dialogue
BLACKROCK INC	Meeting	Climate Change	Satisfactory Response
CAPITA PLC	Meeting	Employment Standards	Dialogue
CENTRICA PLC	Meeting	Climate Change	Change in Process
CITIGROUP INC.	Meeting	Climate Change	Small Improvement
COMPAGNIE DE SAINT GOBAIN	Received Correspondence	Climate Change	Change in Process
COMPASS GROUP PLC	Meeting	Governance (General)	Small Improvement
DAIMLER AG	Received Correspondence	Climate Change	Dialogue
DIXONS CARPHONE PLC	Meeting	Environmental Risk	Dialogue
E.ON SE	Meeting	Climate Change	Small Improvement
ENDESA SA	Received Correspondence	Climate Change	Substantial Improvement
ENEL SPA	Received Correspondence	Climate Change	Substantial Improvement
ENGIE SA.	Sent Correspondence	Climate Change	Dialogue
GENERAL MOTORS COMPANY	Meeting	Climate Change	Small Improvement
HEIDELBERGCEMENT AG	Received Correspondence	Climate Change	Substantial Improvement
HSBC HOLDINGS PLC	Meeting	Climate Change	Moderate Improvement
LLOYDS BANKING GROUP PLC	Sent Correspondence	Board Composition	Awaiting Response
LONDONMETRIC PROPERTY PLC	Received Correspondence	Governance (General)	Substantial Improvement
LYONDELLBASELL INDUSTRIES N.V.	Sent Correspondence	Climate Change	Change in Process
RIO TINTO PLC	Meeting	Climate Change	Substantial Improvement
ROYAL DUTCH SHELL PLC	Meeting	Climate Change	No Improvement
SAINSBURY (J) PLC	Received Correspondence	Environmental Risk	Dialogue
SERCO GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
ST JAMES'S PLACE PLC	Sent Correspondence	Audit Practices	Awaiting Response
STANDARD LIFE ABERDEEN PLC	Received Correspondence	Board Composition	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Change in Process
SUZANO SA	Meeting	Climate Change	Small Improvement
TELEPERFORMANCE SE	Sent Correspondence	Employment Standards	Awaiting Response
TESCO PLC	Meeting	Other	Dialogue
TOTAL SE	Sent Correspondence	Climate Change	Moderate Improvement
VALE SA	Meeting	Governance (General)	Dialogue
VOLKSWAGEN AG	Meeting	Climate Change	Change in Process



## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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Avon Pension Fund	Ealing (London Borough of)	Leicestershire	Suffolk County Council Pension Fund
Barking and Dagenham (London Borough of)	East Riding of Yorkshire Council	Lewisham (London Borough of)	Surrey County Council
Barnet LB	East Sussex Pension Fund	Lincolnshire County Council	Sutton (London Borough of)
Bedfordshire Pension Fund	Enfield (London Borough of)	London Pension Fund Authority	Teesside Pension Fund
Bexley (London Borough of)	Environment Agency Pension Fund	Lothian Pension Fund	Tower Hamlets (London Borough of)
Berkshire Pension Fund	Essex Pension Fund	Merseyside Pension Fund	Tyne and Wear Pension Fund
Brent (London Borough of)	Falkirk Council	Merton (London Borough of)	Waltham Forest (London Borough of)
Camden (London Borough of)	Gloucestershire Pension Fund	Newham (London Borough of)	Wandsworth (London Borough of)
Cardiff and Vale of Glamorgan Pension Fund	Greater Gwent Fund	Norfolk Pension Fund	Warwickshire Pension Fund
Cambridgeshire Pension Fund	Greater Manchester Pension Fund	North East Scotland Pension Fund	West Midlands Pension Fund
Cheshire Pension Fund	Greenwich Pension Fund	North Yorkshire County Council Pension Fund	West Yorkshire Pension Fund
City and County of Swansea Pension Fund	Gwynedd Pension Fund	Northamptonshire County Council	Westminster CC
City of London Corporation	Hackney (London Borough of)	Nottinghamshire County Council	Wiltshire County Council
Clwyd Pension Fund	Hammersmith and Fulham (London Borough of)	Oxfordshire Pension Fund	Worcestershire County Council
Cornwall Pension Fund	Haringey (London Borough of)	Powys County Council Pension Fund	
Croydon LB	Harrow (London Borough of)	Redbridge (London Borough of)	<b>Pool Company Members</b>
Cumbria Pension Scheme	Havering LB	Rhondda Cynon Taf	Border to Coast Pensions Partnership
Derbyshire County Council	Hertfordshire	Shropshire Council	Brunel Pensions Partnership
Devon County Council	Hounslow (London Borough of)	Somerset County Council	LGPS Central
Dorset County Pension Fund	Islington (London Borough of)	South Yorkshire Pensions Authority	Local Pensions Partnership
Durham Pension Fund	Kingston upon Thames Pension Fund	Southwark (London Borough of)	London CIV
Dyfed Pension Fund	Lambeth (London Borough of)	Staffordshire Pension Fund	Northern LGPS
	Lancashire County Pension Fund	Strathclyde Pension Fund	Wales Pension Partnership

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## **MINUTES OF THE PENSION BOARD** **Held as an online meeting on Tuesday 23 March 2021 at 6.00 pm**

PRESENT(in remote attendance): Mr David Ewart (Chair), Councillor Crane and Councillor Kabir and Mr Chris Bala.

Also Present (in remote attendance): Councillor McLennan (Deputy Leader & Lead Member for Resources)

### **1. Apologies for absence**

Apologies for absence were received from Bola George and Robert Wheeler.

### **2. Declarations of interests**

None declared.

### **3. Minutes of the previous meeting - 3 November 2020**

The minutes of the previous meeting held on 3<sup>rd</sup> November 2020 were agreed as an accurate record.

### **4. Matters arising**

None.

### **5. Pensions Administration Update**

This report updated the Pensions Board on various pension administration matters as part of its remit to oversee the administration of the Brent Pension Fund. As Members would recall, Council transferred the pensions administration to LPPA. The Board welcomed Mr John Crowhurst (Commercial Director) and Ms Janet Morville-Smith (Risk and Compliance Director) of LPPA to the meeting.

Mr John Crowhurst gave a detailed slide presentation to the Board highlighting the key aspects of pension administration by LPPA since the last meeting and answered Members' questions. Members heard that the percentage of calls answered was 98.3% and that all cases including deaths and retirements was 99.1% against the target of 98%. Through a rigorous trace approach, LPPA had been able to bring to a close historic cases that had been pending for some time. He added however, that bereavement and retirement cases had seen a steady rise in January and February 2021 and consequently the wait times at the help desk. Additionally, LPPA had delivered service improvements that involved the launch of the new LPPA website including a live chat functionality for users, successful delivery of online training sessions for employers and the launch of the bereavement booklet.

In providing the business updates, Mr Crowhurst stated that LPPA had recently been through a procurement exercise for their pension administration system and contracts signed with Civica to provide their Universal Pensions Management (UPM) system. The UPM system would replace Altair as well as LPP's workflow management system (CMS), both YourFund employer portals and the My Pension Online member self-service portal. The Brent Pension Fund would Go Live in September 2022. The transfer of the service from Heywood's to Civica while having many benefits would also involve risks that would be monitored regularly by LPPA through their Project Plan capturing key dates, task, milestones, risks and controls in place. LPPA would provide Brent officers with regular updates in weekly and monthly meetings to ensure successful transfer of administrative systems. The Chairs expressed the Board's view that a smooth transfer between the systems was vital.

In response to Members' questions, Mr Crowhurst stated that conditional data would be significantly improved when LPPA concluded the GNP projects. He clarified that bereavement cases had shot up by 27% in February 2021 and to address that, LPPA had set up a separate bereavement line and recruited additional staff for resilience and resource planning. Divorce cases were also higher than normal months but that could be the same people contacting LPPA more than once.

Mr Ravinder Jassar (Deputy Director of Finance) added that due to the pandemic, the annual employer forum had not been held, however that LPPA were carrying out online engagement activity with all employers ahead of year-end.

Ms Janet Morville-Smith (Head of Risk and Compliance) provided further perspectives on risk and compliance and answered Members' questions. The objectives were to drive quality by embedding a culture of treating customers fairly and enhancing the administration of services provided to all clients aimed at improving the customer journey and providing a value for money service. These would be achieved through monitoring quality assurance reviews with a more focussed deep dive approach and a team of regulatory change management to monitor risks, policy framework, breach and incident and complaints and member satisfaction. She clarified that LPPA would put in place, appropriate infrastructure and procedures with constant reviews to address potential cyber security issues.

The Board welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the pensions administration updates be noted.

## **6. Pension Board and Committee Training Strategy**

Mr Sawan Shah (Senior Finance Analyst) introduced the report that detailed the training strategy of the Brent Pension Fund ("the Fund"). The strategy, developed by Hymans Robertson would address the complexity and the need for a policy on training. He explained that the strategy set out measures to aid the Pension Fund Sub-Committee, Pension Board and Officers in gaining an understanding of their respective responsibilities in order to effectively fulfil their respective roles. It would be effective from 23<sup>rd</sup> March 2021 with topics to be covered from June/July onwards

and reviewed every 2 years, and if necessary, more frequently to ensure accuracy and relevance.

Mr Shah then drew Members attention to the appendix to the report that gave an indication of the delivery method and target completion date for each area. He added that once agreed officers would start to implement the programme, consulting with Members as appropriate concerning their availability and delivery method. He emphasised that officers would work with Members in any areas they felt would be relevant to their areas of work and as set out in the Fund's business plan.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the training strategy set out in the main report and the appendix be agreed.

## **7. LGPS Update**

The purpose of this report was to update the Board on recent developments within the LGPS regulatory environment and any recent consultations issued which would have a significant impact on the Fund. Mr Sawan Shah (Senior Finance Analyst) introduced the report and answered Members' questions. He gave updates on the following main areas:

Exit Cap payments.

- After extensive review of the application of the Cap, the Government had concluded that the Cap may have had unintended consequences and the (2020) Regulations should be revoked. In light of the exit cap regulations, it was necessary to alter the early retirement pension strain factors to ensure they were still fit for purpose. With the dis-application of the £95k exit cap, the Council's General Purposes Committee had considered and approved a recommendation to revert to the previous fund specific factors.

Lifetime Allowance (LTA)

- In the Budget on 3 March 2021, the Chancellor announced that the Lifetime Allowance (LTA) – the maximum amount (of pension plus lump sum) that could be drawn from a pension scheme without triggering an extra tax charge – would, instead of being increased each year in line with the annual (September) CPI figure, be frozen at its current level (£1,073,100) until April 2026.

Good Governance

- On 15 February 2021, the LGPS Scheme Advisory Board (SAB), published its final report (Phase 3) on Good Governance and Action Plan for submission to the Ministry of Housing, Communities and Local Government (MHCLG) for consideration. The full Phase 3 report had been attached in Appendix 3 of the report circulated with the agenda. The Fund believed it was compliant with many of the recommendations and that officers would produce an action plan on areas of non-compliance and report to the Pension Board at a later meeting.

#### Minimum age

- The normal minimum pension age was the minimum age at which most pension savers could access their pensions without incurring an unauthorised payments tax charge (unless they are taking their pension due to ill-health). It was currently age 55. The government had confirmed its intention to legislate to increase the normal minimum pension age from 55 to age 57 on 6 April 2028.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED;

That the LGPS updates be noted.

### **8. Brent Pension Board Terms of Reference and Conflicts of Interest policy**

This report presented a review of the Pension Board's terms of reference and conflicts of interest policy. Mr Ravinder Jassar (Deputy Director of Finance) informed the Board that following the last review, the terms of reference were updated to reflect the knowledge and experience of the Pension Board and to make them suitable and fit for purpose. This included a further clarification on the purpose, roles, responsibilities and core functions of the Board.

He drew Members' attention to appendices 1 and 2 to the main report, and invited comments on any changes it was felt would be required to the terms of reference.

Members welcomed the report, endorsed and commended the terms of reference and conflicts of interest policy. With no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED;

That the Pension Board terms of reference and conflicts of interest policy be noted.

### **9. Brent Risk Management Strategy Register**

This report presented the updated Risk Register for the Brent Pension Fund Pensions Administration Service. Ms Flora Osiyemi (Head of Finance) highlighted the following new risks and key changes to classifications of risks as set out in the appendices to the report:

#### Exit Pay Reform – (item 9.3)

- This had been updated to reflect the revocation of the Restriction of Public Sector Exit Payments Regulations 2020.

#### Cyber Security

- Brent officers had completed a review of the current cyber security policy in place in order to ensure that procedures and processes were up to date in order to safeguard the integrity, confidentiality and availability (ICA) of information.

#### System Transfer (item 4.3)

- A new risk had been added under item 5.7 to capture the transfer of LPP administration systems from Heywoods to Civica with further details set out in the appendix.

In response to member's question about secure and robust cyber security system of all partners using the Civica system, the Deputy Director of Finance responded in the affirmative. He added that a number of external organisations (LPPA, Hymans and LCIV) would be involved in the monitoring arrangements for the contract.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED;

That the Brent risk management strategy be noted.

#### 10. **London CIV Update**

The purpose of this report was to update the committee on recent developments within the London CIV (LCIV) regarding Responsible Investment and Engagement. Officers drew Members' attention to Appendix 1 in the report that provided an update regarding key priorities for 2021 with respect to Climate Change, Stewardship, Fund Launches and its policy on Responsible Investment and Engagement. Brent Pension Fund Sub-Committee had considered this report at its last meeting and noted the key priorities.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the report and update on the London CIV be noted.

#### 11. **H2 2020 Investment Monitoring Report**

The report by Hymans Robertson presented the investment monitoring report for the quarter. Brent Pension Fund Sub-Committee had considered this report at its last meeting and noted the key points as set out in the report. Board Members noted in particular that The Fund had posted strong returns over the past 6 months, crossing the £1bn mark to end 2020 with a valuation of £1,010.5m (up from 934.9m at the end of Q2 2020).

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the investment monitoring report for Quarter 2 (2020) be noted

#### 12. **Investment update**

The report provided the Pension Board with an update on the Fund's investments. Brent Pension Fund Sub-Committee had considered this report at its last meeting and noted the key points as set out in the report.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the investment update report be noted

**13. LAPFF Engagement Report**

This report presented members with an update on the engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's commitment with LAPFF and its work had demonstrated its commitment to Responsible Investment and engagement as a way to achieve its objectives. Brent Pension Fund Sub-Committee had considered this report at its last meeting. Board members noted the comments made at the Sub-Committee meeting on possible overlap with the London CIV.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the LAPFF engagement report be noted.

**14. Date of next meeting**

It was noted that the date of next meeting would be confirmed at the Council's Annual General Meeting in May 2021.

**15. Any other urgent business**

Mr. Joe Kwateng.

The Chair informed the Sub-Committee that this was the last meeting that Mr Kwateng would be servicing as he would be retiring after 38 years of service with Brent Council. Members were unanimous in paying tribute to Mr Kwateng for his long and committed service to the Council and in particular, Brent Pension Fund Sub-Committee and Board and wished him a long and happy retirement.

In reciprocating, Mr Kwateng thanked both Members and officers for their assistance during his tenure servicing the Board.

**16. Exclusion of Press and Public**

That the press and public will be excluded 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)."

**17. London CIV Investment Review**



The purpose of this report was to update the Board on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV). Brent Pension Fund Sub-Committee had considered this report at its last meeting when a representative of London CIV gave a presentation of London CIV performance including each fund manager's performance on the funds under LCIV watch.

Members welcomed the report and noted that 88.1% of the fund's assets were under management oversight by the CIV. With no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the London CIV investment review report be noted.

The meeting closed at 7.12 pm

MR. D EWART  
Independent Chair

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