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Brent Pension Fund Sub-Committee *(agenda republished 4 October 21)*

Tuesday 5 October 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:	**Substitute Members** Councillors
S Choudhary (Chair) Aden (Vice-Chair) Daly Donnelly-Jackson Kansagra W Mitchell Murray Perrin	A Choudry, McLeish and Naheerathan Councillors Colwill and Maurice

Non Voting Co-opted Members

Bankole	Brent Unison representative

recycle for Brent

For further information contact: Andrew Phillips, Governance Officer
Tel: 0208 937 4219; Email: 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

Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

(a) **Employment, etc. -** Any employment, office, trade, profession or vocation carried on for profit gain.

(b) **Sponsorship -** Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.

(c) **Contracts -** Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.

(d) **Land -** Any beneficial interest in land which is within the council's area.

(e) **Licences-** Any licence to occupy land in the council's area for a month or longer.

(f) **Corporate tenancies -** Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.

(g) **Securities -** Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

(a) Anybody of which you are a member or in a position of general control or management, and:

- To which you are appointed by the council;
- which exercises functions of a public nature;
- which is directed is to charitable purposes;
- whose principal purposes include the influence of public opinion or policy (including a political party of trade union).

(b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;

a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

7 Net Zero Transition Roadmap 89 - 118

This report presents a detailed framework setting out the practical steps to transition to net zero and to top-up the allocation to the Fund's existing low carbon global equity mandate.

8 Property Allocation Report 119 - 140

This report presents analysis and results of investment options for the Committee to consider and agree which fund to invest in. It provides an overview of the Fund's strategic allocation to property, an introduction to the UK property market, a summary of four potential property funds, and recommendations for investment and implementation.

9 Minutes of Pension Board 141 - 150

To note the minutes of the Pension Board held on Tuesday 27 July 2021.

Agenda republished to include the minutes on 4 October 21

10 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.

11 Exclusion of the Press and 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)"

12 Employer Risk and Admission Agreements 151 - 158

The purpose of this report is to update the Committee on employer risk to the Brent Pension Fund and note the current position on admission agreements.

13 London CIV Update 159 - 246

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).

Date of Next Meeting: Monday 21 February 2022 at 6pm – Brent Civic Centre

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 current social distancing guidelines.
- Attendees will need to maintain the necessary social distancing 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 entrance.
- 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/*

Brent

LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Thursday 24 June 2021 at 6.00 pm

PRESENT: Councillor Choudhary (Chair), Councillor Aden (Vice-Chair) and Councillors Daly, Donnelly Jackson & Kansagra and Elizabeth Bankole (Independent Co-Opted Member – in remote attendance).

Also Present (in remote attendance): David Ewart (Independent Chair – Pension Board) and Councillor McLennan (Deputy Leader and Lead Member for Resources)

Apologies for absence were received from: Councillors Perrin and Mitchell Murray

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

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

2. **Minutes of the previous meeting**

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

3. **Matters arising**

None.

4. **Deputations**

None.

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

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

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

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

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

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

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

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

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

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

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

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

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

6. **London Borough of Brent Pension Fund- Funding Issues Update**

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

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

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

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

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

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

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

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

In presenting the report the Sub Committee noted:

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

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

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

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

8. **Actuarial Services Procurement**

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

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

In considering the report the Committee noted:

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

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

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

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

9. **Local Authority Pension Fund Forum (LAPFF) Engagement Report**

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

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

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

- Engagement with a variety of organisations including National Grid & HSBC on their approach towards climate change and with General Motors and Volkswagen on their commitment towards investing in and scaling up electric vehicle production as part of the commitment to achieving carbon neutrality;

- Engagement with Chartwell regarding their free school meal supply chain;
- Work with Tesco to discuss their long term strategy towards health and nutrition

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

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

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

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

11. **Any other urgent business**

None.

12. **Dates of Future Meetings**

The dates of future meetings were noted as follows:

Tuesday 5 October 2021 at 6pm

Monday 21 February 2022 at 6pm

13. **Exclusion of the Press and Public**

At this stage in the meeting the Chair advised that the Sub Committee would need to move into closed session to consider the final items on the agenda and it was therefore **RESOLVED** to exclude the press and public from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely;

"Information relating to the financial or business affairs of any particular person (including the Authority holding that information)."

14. **Deferred Debt Arrangement**

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

In considering the report the Committee noted:

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

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

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

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

(1) note the content or the report and funding position identified in relation to the organisation identified within the report.

(2) approve entry into a Deferred Debt Agreement (DDA) with the organisation identified within the report.

(3) delegate authority to the Director of Finance to finalise the terms of the DDA agreement with the organisation identified within the report.

15. **London CIV Investment Update**

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

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

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

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

The meeting closed at 8.02 pm

S CHOUDHARY
Chair

London Borough of Brent Pension Fund

Q2 2021 Investment Monitoring Report

Kenneth Taylor, Investment Consultant
Kameel Kapitan, Associate Consultant

HYMANS ROBERTSON

Executive Summary

Performance Summary
The assets combined to return 5.1% over this period, outperforming the aggregate target return by 0.8%.

In markets, global equities rose 7.1% in the first quarter in local currency terms as the COVID recovery continued. Emerging Market equities underperformed other regions over the quarter.

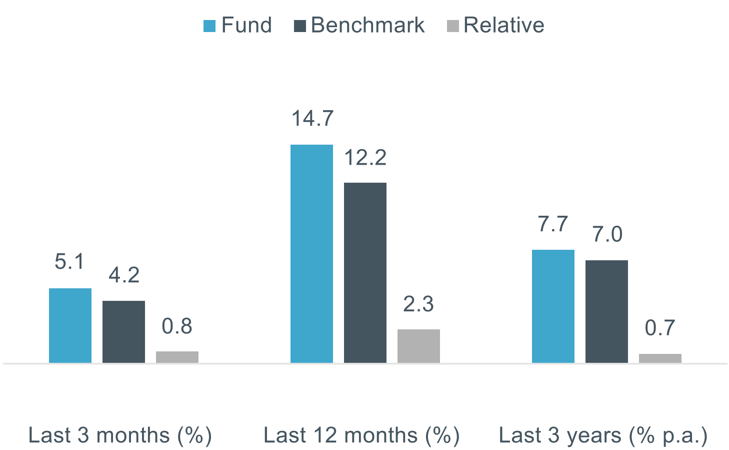
A fall in yields over the quarter saw positive returns from the UK government bond market. Speculative grade credit markets similarly trended lower over Q2 2021 amid improving credit fundamentals.

Key Actions
The on-boarding process for the investment in BlackRock Low Carbon Fund is expected to be completed in Q3 2021. This 3% investment will be funded from cash.

Key points to note

- The Fund has posted positive returns over the past 3 months, ending the quarter with a valuation of £1,076.2m up from £1,032.1m at the end of Q1 2021.
- The Fund's Growth holdings were the main drivers of returns, with LGIM's global equity mandate the primary contributor.
- Within the Fund's Income holdings, the Baillie Gifford multi-asset fund produced strong performance over the quarter.
- The Fund is currently holding more cash than usual. The Fund's upcoming investment in the BlackRock Low Carbon equity fund 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.

GrIP	Actual	Benchmark	Relative
Growth	58.2%	58.0%	0.2%
Income	25.4%	25.0%	0.4%
Protection	12.0%	15.0%	-3.0%
Cash	4.4%	2.0%	2.4%

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.

Following the results of the Q1 2020 investment strategy review, the following target allocations were agreed:

Interim
Growth – 58%
Income/Diversifiers – 25%
Protection plus cash – 17%

Long-term
Growth – 50%
Income/Diversifiers – 35%
Protection – 15%

The Fund is broadly in line with the interim target allocations for growth and income assets, underweight protection assets and overweight cash.

Of the c£48m in cash held at the quarter end, c£30m is due to be invested in the BlackRock Low Carbon fund in Q3 2021.

The LCIV infrastructure fund is still in its infancy with an expected 3 year ramp up phase. We therefore expect the Fund commitment of £50m to continue to be drawn down until end 2022.

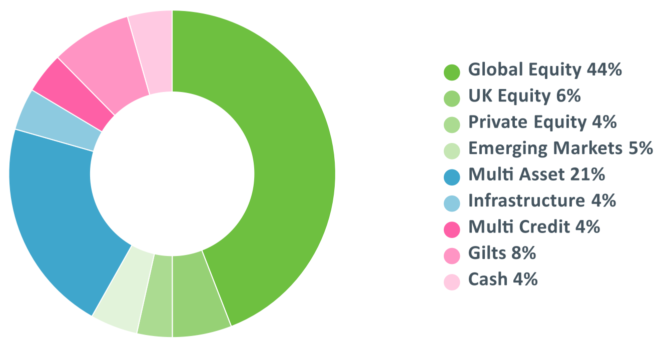
The Fund's commitment to the LCIV private debt fund (made in March of this year) is still to begin drawing down.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2021	Q2 2021			
LGIM Global Equity	441.2	474.7	44.1%	43.0%	1.1%
LGIM UK Equity	59.9	63.3	5.9%	5.0%	0.9%
Capital Dynamics Private Equity	37.5	37.8	3.5%	5.0%	-1.5%
LCIV JP Morgan Emerging Markets	48.8	50.4	4.7%	5.0%	-0.3%
Total Growth	**587.3**	**626.1**	**58.2%**	**58.0%**	**0.2%**
LCIV Baillie Gifford Multi Asset	130.7	137.1	12.7%	10.0%	2.7%
LCIV Ruffer Multi Asset	90.8	91.4	8.5%	10.0%	-1.5%
Alinda Infrastructure	23.1	22.7	2.1%	0.0%	2.1%
Capital Dynamics Infrastructure	8.8	8.8	0.8%	0.0%	0.8%
Aviva Property	0.0	0.0	0.0%	0.0%	0.0%
LCIV Infrastructure	11.8	13.2	1.2%	5.0%	-3.8%
Total Income	**265.2**	**273.2**	**25.4%**	**25.0%**	**0.4%**
LCIV CQS MAC	42.8	43.6	4.1%	5.0%	-0.9%
BlackRock UK Gilts Over 15 yrs	83.0	85.7	8.0%	10.0%	-2.0%
Total Protection	**125.8**	**129.3**	**12.0%**	**15.0%**	**-3.0%**
Cash	53.8	47.6	4.4%	2.0%	2.4%
Total Scheme	**1032.1**	**1076.2**	**100.0%**	**100.0%**	

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



Source: Investment Managers

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 lagged global markets over the quarter, due to the UK's higher weighting to cyclicals sectors such as financials, industrials and basic materials, which underperformed over the quarter, having outperformed significantly since the initial positive vaccine news in November last year.

Over the year emerging markets equities lead the way, and the JP Morgan fund has posted impressive outperformance relative to its benchmark, despite underperforming over the quarter.

The Baillie Gifford multi-asset fund posted strong performance over the quarter, driven by listed equities, property and infrastructure allocations, which benefited from the ongoing economic recovery. Over 12 months, the returns achieved by Baillie Gifford and Ruffer are identical at 14.2% relative to the benchmark return of 2.1%.

The CQS mandate produced a return of 2% over the quarter, and is also showing strong performance over the year.

Gilt yields fell over the quarter, leading to an increase in the value of the gilts portfolio.

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
Growth									
LGIM Global Equity	7.6	7.6	**-0.0**	25.4	25.4	**-0.0**	14.4	14.4	**-0.0**
LGIM UK Equity	5.6	5.6	**0.0**	21.4	21.4	**-0.0**	2.1	2.0	**0.0**
Capital Dynamics Private Equity	9.2	8.0	**1.1**	0.8	26.0	**-20.0**	8.4	12.8	**-3.9**
LCIV JP Morgan Emerging Markets	3.2	4.9	**-1.6**	30.6	26.0	**3.6**	-	-	**-**
Income									
LCIV Baillie Gifford Multi Asset	4.9	0.5	**4.4**	14.2	2.1	**11.8**	4.6	3.0	**1.6**
LCIV Ruffer Multi Asset	0.7	0.5	**0.2**	14.2	2.1	**11.9**	6.8	3.0	**3.7**
Alinda Infrastructure	-	-	**-**	-6.0	4.5	**-10.1**	-0.1	5.2	**-5.0**
Capital Dynamics Infrastructure	-	-	**-**	-12.5	4.5	**-16.2**	-4.5	5.2	**-9.2**
LCIV Infrastructure	-	-	**-**	-6.9	4.5	**-10.9**	-	-	**-**
Protection									
LCIV CQS MAC	2.0	0.5	**1.4**	13.3	2.1	**11.0**	-	-	**-**
BlackRock UK Gilts Over 15 yrs	3.2	3.2	**0.0**	-10.8	-10.9	**0.1**	-	-	**-**
Total	5.1	4.2	**0.8**	14.7	12.2	**2.3**	7.7	7.0	**0.7**

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 relatively immature. 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. 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.

Source: Fund performance provided by Investment Managers and is net of fees.
Benchmark performance provided by Investment Managers and DataStream

There were no manager rating changes to existing managers over the period.

Information on the rating categories can be found in the appendix.

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 that Aled Smith will join as Deputy CIO from 6 July 2021. He joins from J O Hambro Capital Management where he was an Investment Director.

As previously announced, Myles Marmion, CFO, retired at the end of April 2021 and has been replaced by Michael Gower, who joins 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.

As announced in Q1, Chris Bacon and Miranda Best will run the firm whilst Clemmie Vaughan, CEO is on maternity leave.

JP Morgan business update

In March 2021, JP Morgan announced that Philippe Quix, Chief Risk Officer for Asset Management, was retiring from the firm effective June 15, 2021. JP Morgan are actively searching for a successor, which will be announced in due course.

Otherwise no changes to the team, investment philosophy and process this quarter.

Baillie Gifford business update

Baillie Gifford announced that three new partners were appointed during the quarter: Dave Bujnowski, Catherine Flockhart and Colin Lennox. Partners, Charles Plowden, Investment Manager and Bill Pacula, Marketing Director retired in April 2021.

No changes to the team, investment philosophy and process this quarter.

Source: Investment Managers

LGIM Global Equity

The LGIM global equity mandate returned 7.6% over first quarter.

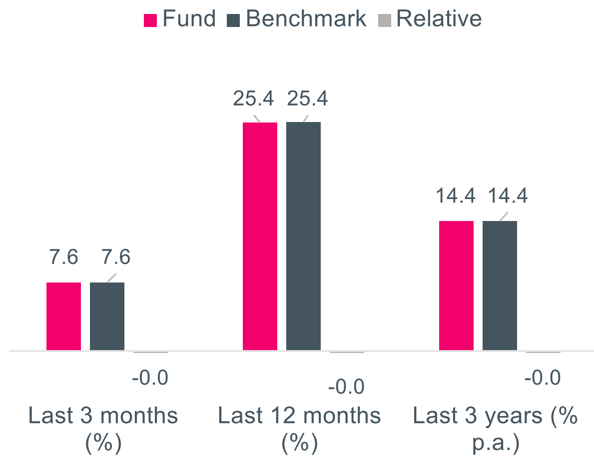
The fund is showing a strong return over 12 months following the sell-off in February and March of last year.

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

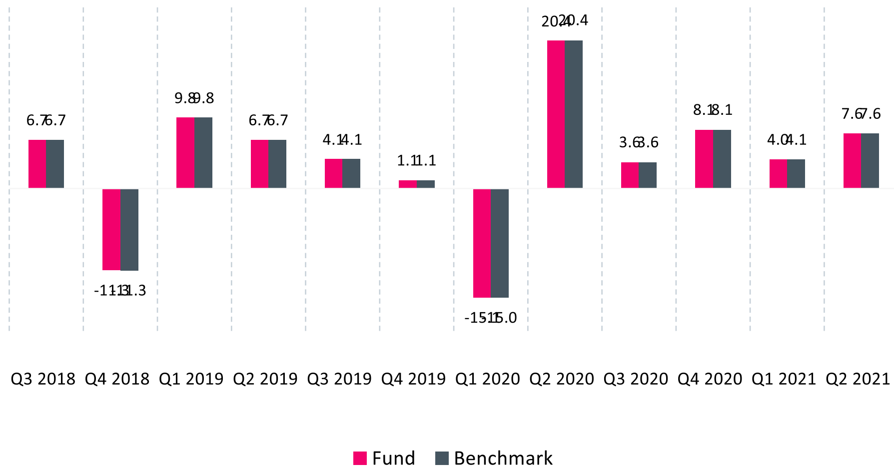
Cyclical, shorter-duration sectors, such as financials, industrials and basic materials, and styles, such as value and small-cap, underperformed over the quarter, having outperformed significantly since the initial positive vaccine news in November last year. Conversely, technology, with its longer-duration growth characteristics, outperformed during Q2.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



Source: Investment Manager

HYMANS ROBERTSON

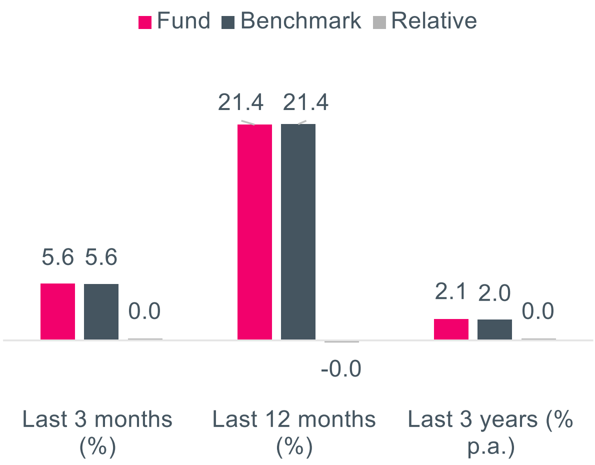
LGIM UK Equity

The LGIM UK equity mandate returned 5.6% over the first quarter. Performance over 12 months is strong, albeit not as strong as returns for global equities as a result of the higher weighting within the UK market to financials, industrials and materials.

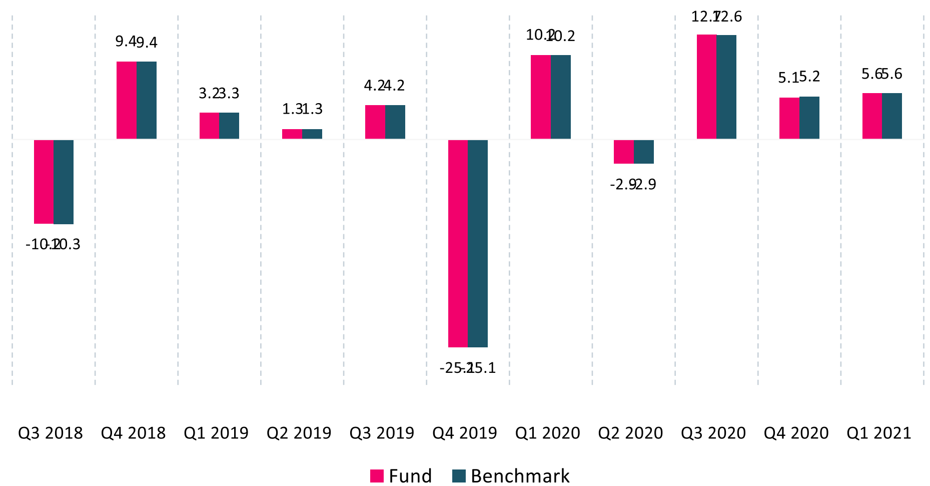
Over the quarter the fund has performed in line with its benchmark as we would expect for a passively managed portfolio.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



Source: Investment Manager

LCIV JP Morgan Emerging Markets

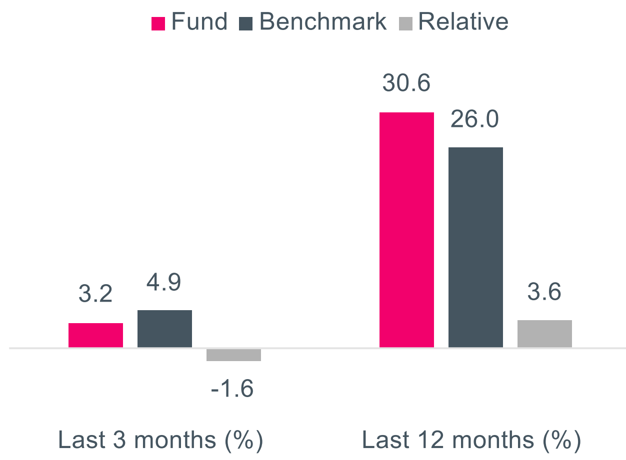
The JP Morgan Emerging Markets fund returned 3.2% over the quarter, underperforming the benchmark by 1.6%. Over 12 months the fund has returned 30.6%, outperforming the benchmark by 3.6%.

The fund underperformed in the quarter, with both sector allocation and stock selection detracting from performance. Financial stocks contributed most to the underperformance, owing to HDFC Bank falling victim to the Delta variant and Ping An Insurance facing pricing pressure due to poor capital allocation. India and China were the largest regional detractors, for these reasons.

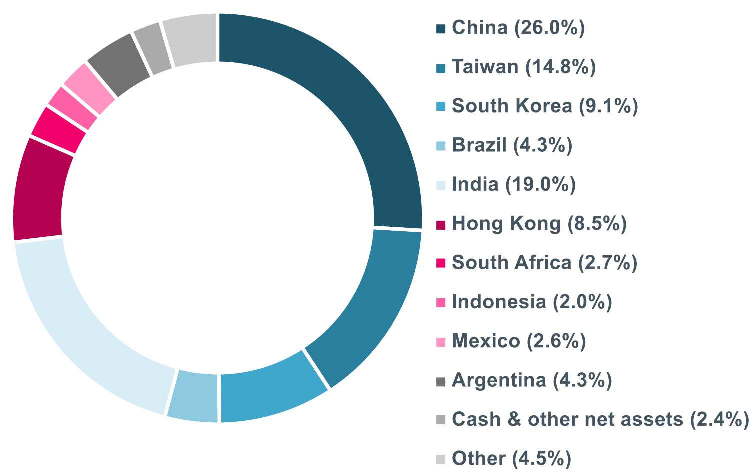
The manager believes three factors will impact emerging market equities in the short to medium term: Covid-19 concerns, cyclical sectors and the regulatory environment in China.

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

Fund Performance versus benchmark



Fund Regional Allocation



Source: Investment Manager

Capital Dynamics Private Equity

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

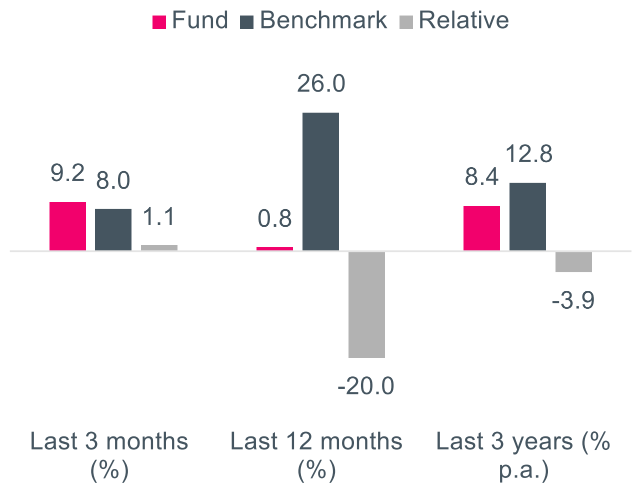
Based on information provided by Northern Trust, the fund returned 9.2% over the quarter ahead of its benchmark by 1.1%.

Over the more meaningful 3 year time period, the fund has returned 8.4% per annum although 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 March 2021 the IRR was 13.0% with a TVPI of 1.66x.

Fund performance vs benchmark



Summary as at 31 March 2021

Total contributed:	c.91.5%
IRR:	13.0%
TVPI:	1.66x

Source: Investment Manager

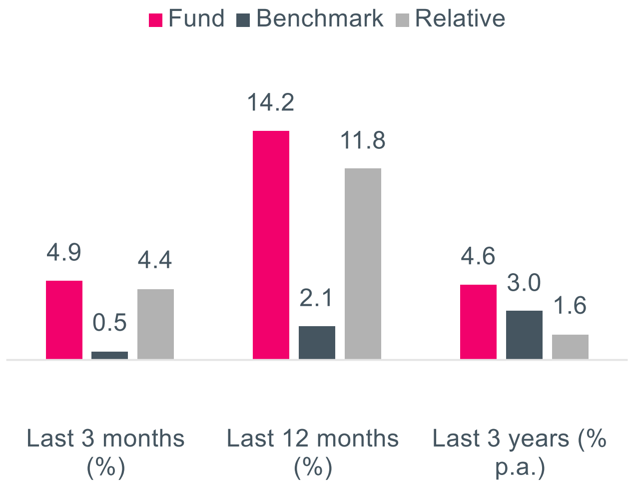
LCIV Baillie Gifford Multi-asset

Over Q1 2021, the fund outperformed its target of 0.5%. returning -4.9% net of fees. Performance over the preceding 12 months is also strong and significantly ahead of target.

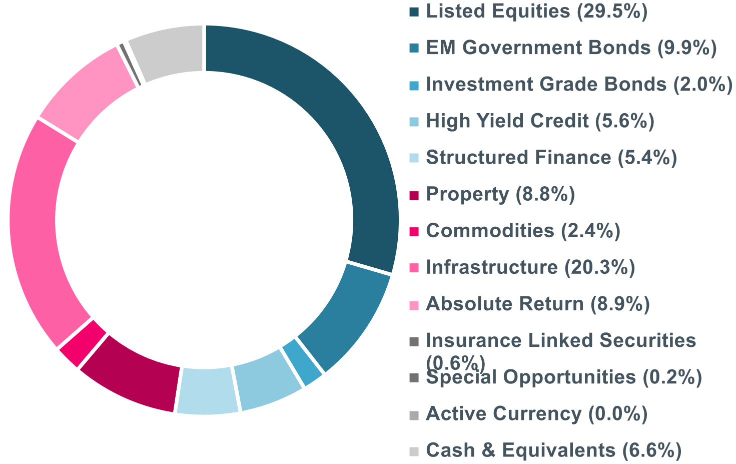
The portfolio performance was largely driven by listed equities, property and infrastructure allocations, which benefited from ongoing economic recovery and were further boosted by increased focus towards green infrastructure, following the infrastructure deal in the US. Positive returns were partially offset by falls in the absolute return asset class.

Baillie Gifford believes that outlook for the global economy remains positive, supported by the continued easing of restrictions in many developed economies, continuing effective vaccine deployment, and extraordinary fiscal and monetary policies.

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

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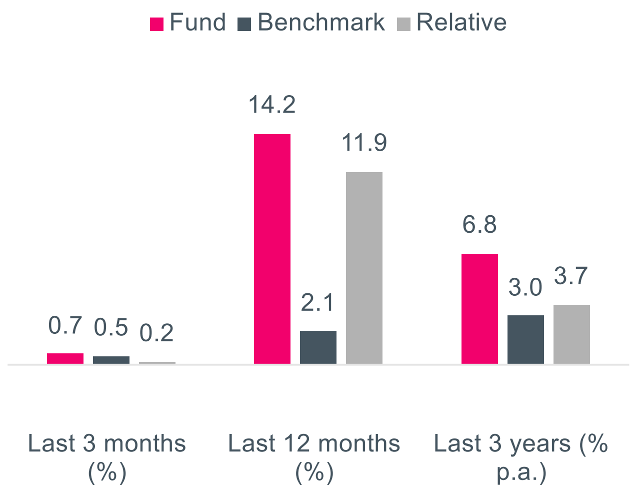
LCIV Ruffer Multi-asset

The Ruffer Multi-Asset fund returned 0.7% over the quarter, outperforming the benchmark by 0.5%. Longer term performance is strong on an absolute basis and on a relative basis.

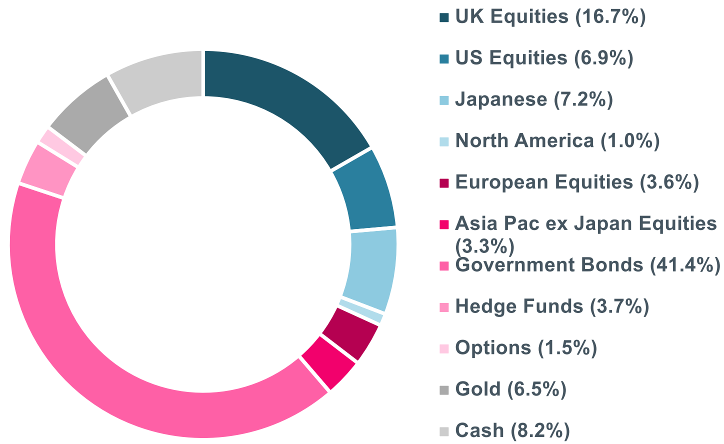
Performance was largely driven by equity exposure given the sharp rebound of economic activity as vaccine programmes continue to evolve. A further boost for the portfolio resulted from index-linked bonds, which contributed slightly less than 1% to the portfolio performance as bond yields fell back and bond prices rallied firstly as the market absorbed the sharp inflation rise in the first quarter, then as the Fed's acknowledgement of current inflation suggesting that everything was under control.

The portfolio position in Bitcoin was actively reduced through the quarter with the final sale taking place in April with bitcoin above $50,000. The bitcoin position provided meaningful gains but Ruffer sees bitcoin as a "riskier" asset now and despite being interested in digital currencies over the longer term, they believe the portfolio can provide other layers of protections, such as interest rate options and credit default swaps to offset a negative contributor to the performance.

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

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, albeit nearing the end. The drawing down and deploying of capital has a tendency to skew and add volatility to the percentage return, in this case the combined percentage return. As the fund matures, we would expect this to normalise.

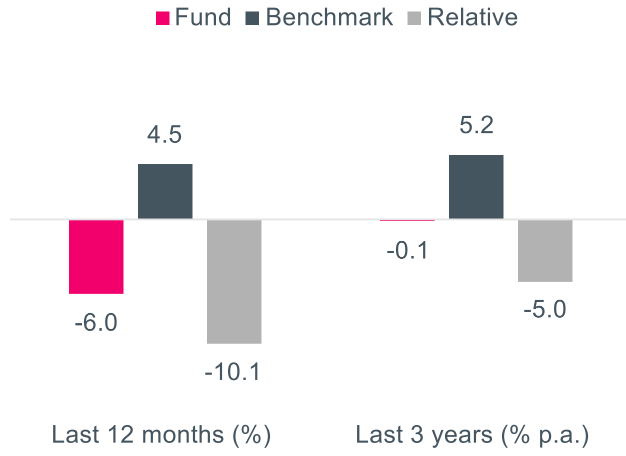
Remaining capital commitments as at 31 March 2021 are as follows:

Alinda II: $3,458,896
Alinda III: $7,861,913

The following net distributions (distributions less contributions) were made over Q1:

Alinda II: $235,629
Alinda III: $429,818

Fund performance vs benchmark



Summary as at 31 March 2021 ($)

Alinda Fund II	
IRR (Gross)	5.5%
IRR (Net)	2.9%
Cash yield	6.9%
TVPI (Net)	1.2x

Alinda Fund III	
IRR (Gross)	20.6%
IRR (Net)	13.1%
Cash yield	10.1%
TVPI (Net)	1.3x

Source: Investment Manager

LCIV Infrastructure

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

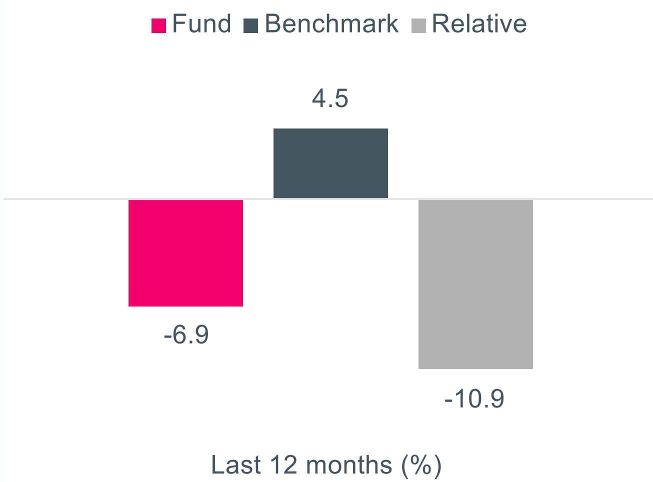
The LCIV Infrastructure fund is managed by Stepstone.

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 £1.4m drawn down over Q2, bringing the NAV at 30 June 2021 to £13.2m.

Fund performance vs benchmark

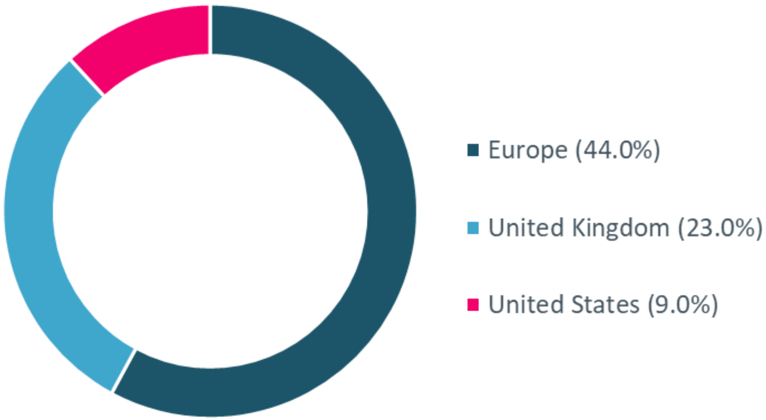


Fund Statistics as at 30 June 2021

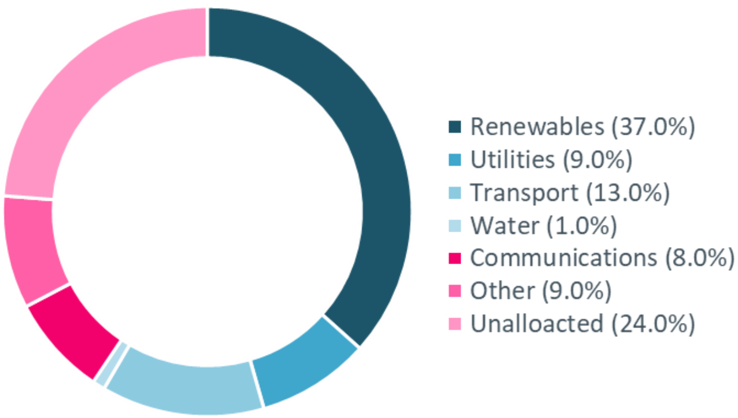
Capital committed	£50.0
Total contributed	£13.6
Distributions	£0
Value created	(£0.4)
Net asset value*	£13.2

*as provided by Northern Trust

Fund Geographical Allocation



Fund Sector Allocation



Source: Investment Manager

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.

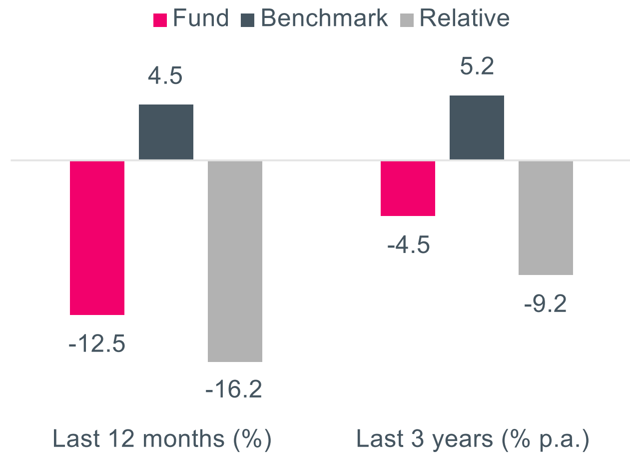
With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

Reporting on underlying commitments is as at 31 March 2021 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 which represents a material proportion of the fund. This is a Texas wind power project, which the manager has previously acknowledged.

Fund performance vs benchmark



Summary as at 31 March 2021 (figures in $m where applicable)

Capital committed	$15.0
Total contributed	$14.7
Distributions	$1.2
Value created	($6.2)
Net asset value	$7.3

Net IRR since inception	(7.5%)
Total value-to-paid-in-ratio (TVPI)	0.61x

Source: Investment Manager

LCIV CQS Multi Credit

Over the second quarter of 2021 the LCIV's multi-asset credit strategy returned 2.0% against a benchmark of 0.5%. 12 month performance has been strong, with the fund returning 13.3%.

The second quarter was constructive for credit markets, with issuers' fundamentals supported by continued economic recovery and the steady progress of vaccination programmes.

Senior secured loans contributed most to returns, with strong performance from US and European books. During the quarter high yield bonds, in particular US high yield, outperformed the investment grade market and despite a structurally lower allocation to US high yield, the investment manager's security selection contributed to performance significantly.

Asset backed securities continues to deliver low but steady returns whereas Financials continue to outperform through the retracement, in particular in Europe.

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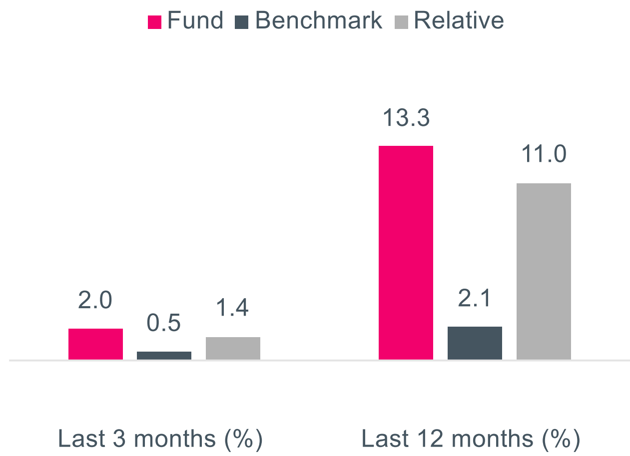
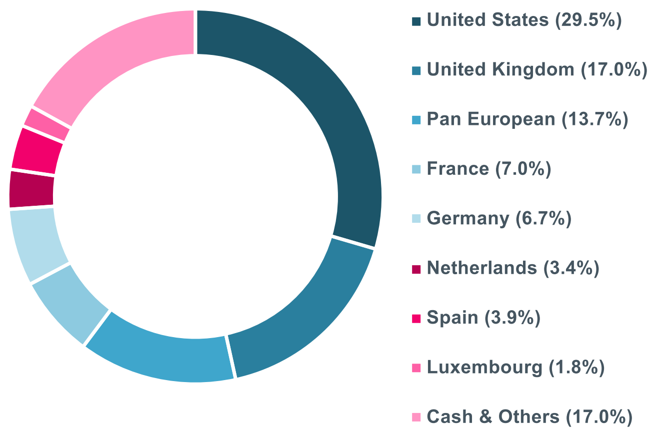
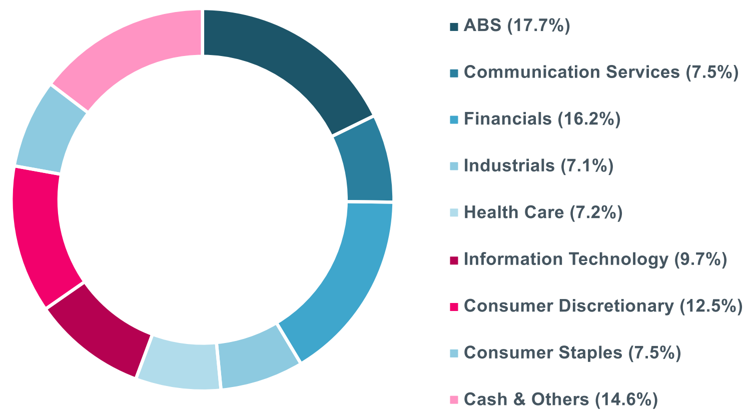
Fund performance vs benchmark



Country Weights



Sector Weights



Source: Investment Manager

BlackRock UK Gilts

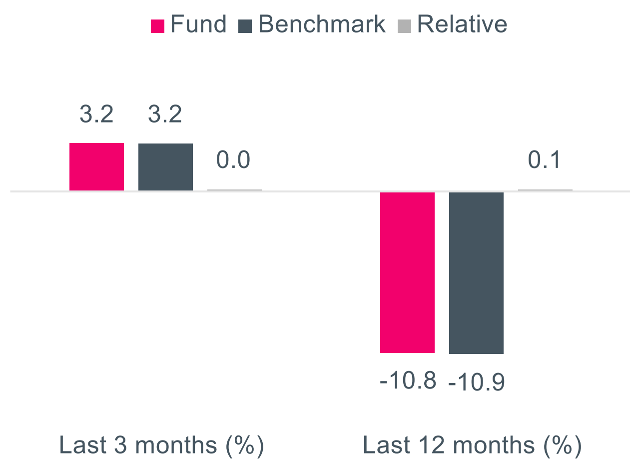
BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

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

Over the quarter the fund returned 3.2% as gilt yields fell. The mandate has a long duration and is therefore more sensitive to changes in yields. This is reflected in the 12 month performance figure which captures some of the yield bounce back witnessed since the initial fall at the onset of the pandemic.

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

Fund performance vs benchmark



Source: Investment Manager

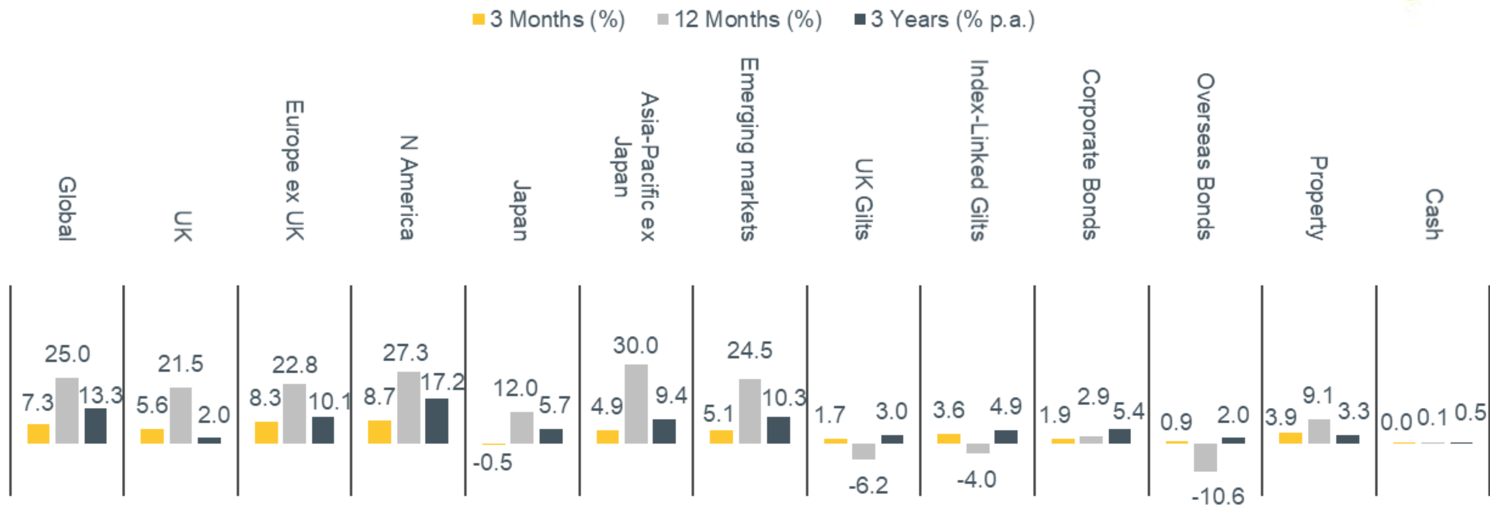
Amid accumulating evidence of the effectiveness of vaccines, the deployment of large US fiscal stimulus, and greater economic resilience to the latest waves of COVID-19, growth forecasts continued to see upwards revisions. A very sharp rebound in global GDP growth is expected to have been recorded in Q2 as restrictions eased in the major advanced economies. Leading indicators, such as PMI business surveys, have reached multi-year highs and suggest growth momentum remains strong.

Global equities have risen 7.1% (Local Currency) in Q2. Cyclical, shorter-duration sectors, such as financials, industrials and basic materials, and styles, such as value and small-cap, have underperformed, having outperformed significantly since the initial positive vaccine news in November last year. Conversely, technology, with its longer-duration growth characteristics, outperformed during Q2.

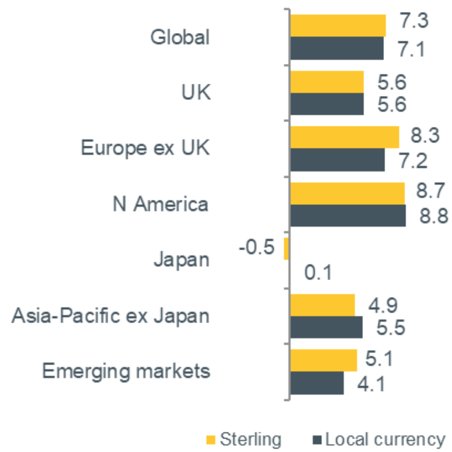
From a regional perspective, Japan has materially underperformed as a resurgence in new COVID-19 cases led to new restrictions. Outperformance by the technology sector helped North America to outperform.

Supply and demand imbalances, largely due to pandemic-induced shortages, and a weak base of comparison in 2020 suggest UK headline CPI will increase above May's 2.1% year-on-year rise. June's 5.0% year-on-year increase in US headline CPI exceeded expectations. However, most forecasters and central bankers expect the inflationary spike will prove temporary.

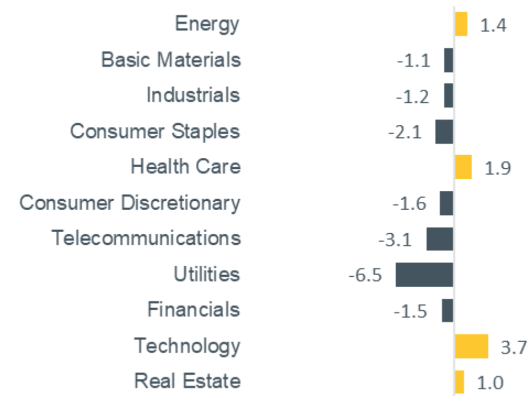
Historic returns for world markets [1]



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 in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

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Market Background

On news that the Fed expects to increase its policy rate twice in 2023, short-term yields rose, and longer-term yields fell. Despite upside inflation surprises, US 10-year treasury yields fell 0.3% p.a. to 1.5% p.a. and UK yields fell 0.1% p.a. to 0.7% p.a. The gathering pace of vaccine roll out in the eurozone helped equivalent German yields rise 0.1% p.a.

UK 10-year Implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell from 3.7% p.a. to 3.5% p.a. as nominal yields fell relative to real yields.

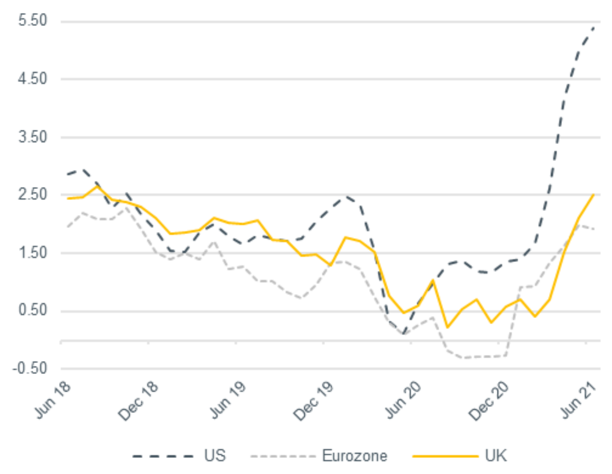
Despite rising 1.4% in June on the back higher near-term rate expectations, the trade-weighted dollar has weakened 1.6% since the end of March, as the global economic recovery became broader based. Sterling has weakened marginally in trade-weighted terms, down 0.5% since the end of March.

Despite slipping 7% in the wake of the Fed meeting in June, gold prices were still up 3.6% over the quarter while oil prices rose strongly .

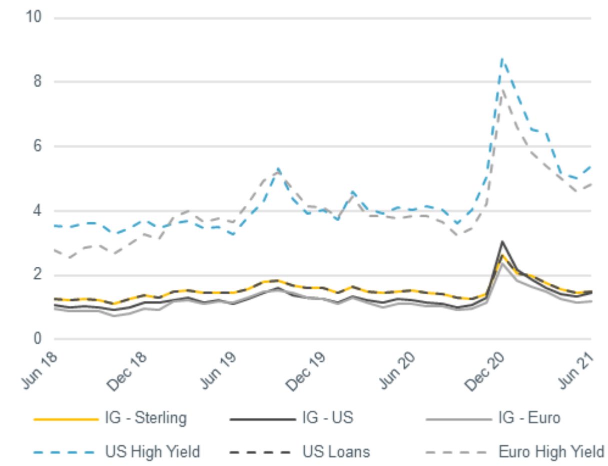
Global credit spreads continued to trend lower in-line with declining default rates and improving credit fundamentals.

Rolling 12-month UK Monthly Property Index metrics have improved as March 2020 values fell out of the comparison. The rolling 12-month total return on the index was 9.1% to end-June, with monthly returns positive since July 2020. Capital values, in aggregate, have risen 3.4% over the last 12 months, with values rising month-on-month since November 2020: Industrial capital values are responsible for the rise, having risen 17.9% over the last 12 months, while retail and office values have fallen, by 5.4% and 3.4%, respectively. The office sector has been experiencing the largest capital declines in recent months.

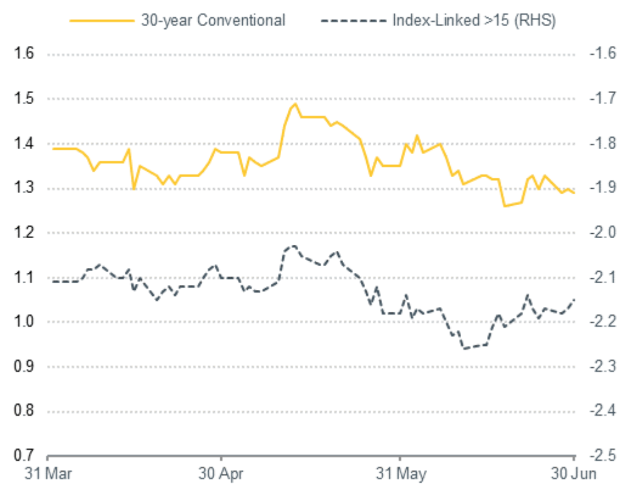
Annual CPI Inflation (% p.a.)



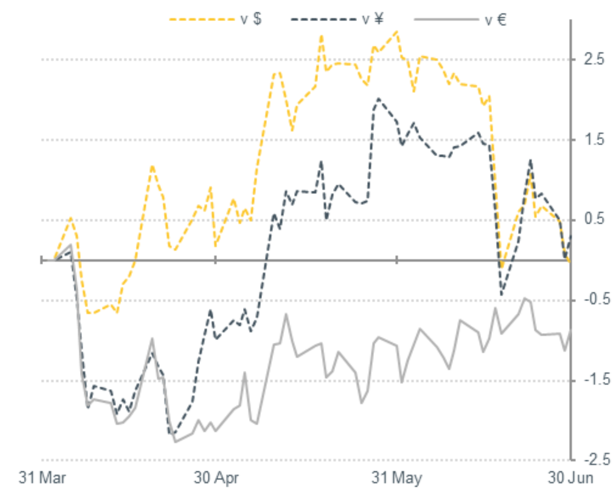
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% 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:

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

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

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.

Brent	**Pensions Fund Sub-Committee** 05 October 2021
	Report from the Director of Finance

Brent Pension Fund: Annual Report and Accounts 2020/21

Wards Affected:	All
Key or Non-Key Decision:	n/a
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Three Appendix 1 Brent Pension Fund Accounts 2020/21 *Please note the following have been included as additional appendices with the report republished on 4 October 2021:* Appendix 2 Brent Pension Fund Audit Findings Appendix 3 Independent Auditors report on Brent Pension Fund Financial Statements
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Rubia Jalil, Finance Analyst 020 8937 1855 Rubia.jalil@brent.gov.uk

1.0 Purpose of the Report

1.1 This report provides an update on the Pension Fund Annual Accounts for the year ended 31 March 2021.

2.0 Recommendation(s)

2.1 The Committee is recommended to note:

- The current position on the Brent Pension Fund Accounts 2020/21; and
- Progress on the 2020/21 Annual Report.

3.0 Detail

Statement of Accounts

3.1 Attached in Appendix 1 are the latest version of the Pension Fund Annual Accounts for the year ended 31 March 2021.

3.2 At the time of writing, audit fieldwork is substantially complete, with only a handful of outstanding items. The auditors are now working on completing their closing procedures and final reviews with a view to sign off the audit shortly after the Audit and Standards Advisory Committee meeting on 22nd September. Based on the current position Grant Thornton intends to give unqualified opinions on the Pension Fund accounts and a clear value for money conclusion.

3.3 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 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. The audit of the accounts commenced in July, and needs to be completed by the 30th November.

3.4 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.

Pension Fund Annual Report

3.5 Officers are currently in the process of preparing the Pension Fund annual report. This will be followed by a review of the annual report by Grant Thornton. Regulations require the annual report to be published on or before 1st December. The Fund will publish the report on completion of the audit process and before the required deadline.

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
	Dealings with members, employers and others directly involved in the fund		
(60.0)	Contributions	7	(60.9)
(5.2)	Transfers in from other pension funds	8	(5.9)
(65.2)			**(66.8)**
47.9	Benefits	9	42.3
6.2	Payments to and on account of leavers	10	5.3
54.2			**47.6**
(11.1)	**Net (additions)/withdrawals from dealings with members**		**(19.2)**
3.8	Management expenses	11	4.2
(7.3)	**Net (additions)/withdrawals including management expenses**		**(15.0)**
	Returns on investments		
(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)
32.9	**Net return on investments**		**(176.8)**
25.6	**Net (increase)/decrease in the net assets available for benefits during the year**		(191.8)
(864.6)	**Opening net assets of the scheme**		**(839.0)**
(839.0)	**Closing net assets of the scheme**		**(1,030.7)**

Net Assets Statement

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

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 18.

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
	Number of employees in scheme	
5,239	Brent Council	4,457
1,834	Other employers	1,928
7,073	**Total**	**6,385**
	Number of pensioners	
6,320	Brent Council	6,157
666	Other employers	703
6,986	**Total**	**6,860**
	Deferred pensioners	
6,975	Brent Council	7,025
935	Other employers	1,163
7,910	**Total**	**8,188**

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

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 18 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 24.

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 18).

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 21).

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 18. 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
Actuarial present .value of promised retirement benefits (Note 18)	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%.
Private equity/infrastructure	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.
Effect of Coronavirus pandemic on investment valuations	Due to the uncertainties in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation 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.	There is a risk that this investment may be under- or overstated in the accounts. The Fund's investment advisors estimate this to be up +/- 27.1% of the reported value. Further detail is provided in note 16.

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
Total	**60.0**	**60.9**

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
Total	**60.0**	**60.9**

8. Transfers in from other pension funds

	2019/20	2020/21
	£m	**£m**
Individual transfers	5.2	5.9
Total	**5.2**	**5.9**

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
Total	**47.9**	**42.3**

By authority

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

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
Total	**6.2**	**5.3**

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
Total	**3.8**	**4.2**

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
Total	**2.3**	**2.2**

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
Total	**2.2**	**2.1**	**0.1**	**0.0**

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
Total	**2.3**	**2.2**	**0.1**	**0.0**

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
Total	**1.2**	**0.7**

13. Investments

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

13a) 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
	781.4	**87.2**	**(66.3)**	**176.1**	**978.5**
Other investment balances: Cash Deposit	53.9				53.8
Investment income due	0.0				0.0
Net investment assets	**835.3**				**1,032.3**

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
	832.9	**3.2**	**(20.6)**	**(34.1)**	**781.4**
Other investment balances: Cash Deposit	23.5				53.9
Investment income due	0.0				0.0
Net investment assets	**856.4**				**835.3**

13b) Analysis of investments by category

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

13c) Investments analysed by fund manager

Market value

31 March 2020 £m	%		31 March 2021 £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%
781.4	**100.0**		**978.5**	**100.0**

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.

14a. 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

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

14b. 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.

Values at 31 March 2021	**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets				
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
Total Financial assets	**53.8**	**897.4**	**81.1**	**1,032.3**
Financial liabilities				
Financial liabilities at amortised cost	(3.1)	0.0	0.0	(3.1)
Total Financial liabilities	**(3.1)**	**0.0**	**0.0**	**(3.1)**
Net Financial assets	**50.7**	**897.4**	**81.1**	**1,029.2**

Values at 31 March 2020	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets				
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
Total Financial assets	**53.9**	**697.1**	**84.3**	**835.3**
Financial liabilities				
Financial liabilities at amortised cost	(0.4)	0.0	0.0	(0.4)
Total Financial liabilities	**(0.4)**	**0.0**	**0.0**	**(0.4)**
Net Financial assets	**53.5**	**697.1**	**84.3**	**834.9**

14c. Transfers between Levels 1 and 2

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

14d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2020	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 2021	**81.1**

15. 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
			Financial assets			
697.0			Pooled investments	897.4		
0.1			Pooled property investments	0.0		
84.3			Private equity/infrastructure	81.1		
	53.9		Cash		53.8	
	4.0		Debtors		1.5	
781.4	**57.9**	**0.0**	**Total Financial assets**	**978.5**	**55.3**	**0.0**
			Financial liabilities			
		(0.4)	Creditors			(3.1)
0	**0**	**(0.4)**	**Total Financial liabilities**	**0**	**0**	**(3.1)**
781.4	**57.9**	**(0.4)**	**Net Financial assets**	**978.5**	**55.3**	**(3.1)**

a) Net gains and losses on financial instruments

31 March 2020		31 March 2021
£m		£m
	Financial assets	
(34.1)	Fair value through profit and loss	176.1
(34.1)	**Total**	**176.1**

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 Carrying Value £'000	Fair Value £'000		31 March 2021 Carrying Value £'000	Fair Value £'000
		Financial assets		
781.4	781.4	Fair value through profit and loss	978.5	978.5
57.9	57.9	Loans and receivables	55.3	55.3
839.3	**839.3**	**Total financial assets**	**1,033.8**	**1,033.8**
		Financial liabilities		
(0.4)	(0.4)	Financial liabilities at amortised cost	(3.1)	(3.1)
(0.4)	**(0.4)**	**Total financial liabilities**	**(3.1)**	**(3.1)**

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

16. 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

Asset Type	31/03/2021 Value (£m)	Potential market movements (+/-)
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:

Asset Type	31/03/2021 Value	Potential value on increase	Potential value on decrease
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
Total	**978.5**	**1,133.4**	**823.6**

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:

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

Asset type	Carrying amount as at 31 March 2021	+100BPS	(100)BPS
	£m	£m	£m
Cash balances	53.8	0.5	(0.5)
UK Fixed income unit trust	42.8	0.4	(0.4)
Total	**96.6**	**1.0**	**(0.9**

Asset type	Carrying amount as at 31 March 2020	+100BPS	(100)BPS
	£m	£m	£m
Cash balances	53.9	0.5	(0.5)
UK Fixed income unit trust	30.6	0.3	(0.3)
Total	**84.5**	**0.8**	**(0.8)**

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 £m**	**Asset value at 31 March 2021 £m**
Overseas unit trusts	293.4	441.2
Overseas pooled property investments	0.1	0.0
Overseas private equity/infrastructure	84.3	81.1
Total overseas assets	**377.8**	**522.3**

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 £m**	**+1% £m**	**(1)% £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)
Total	**522.3**	**5.2**	**(5.2)**

Assets exposed to currency rate risk	**Asset value as at 31 March 2020 £m**	**+1% £m**	**(1)% £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)
Total	**377.8**	**3.7**	**(3.7)**

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:

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

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%
Total liquid investments	**750.9**	**89.9%**	**951.2**	**92.1%**
Pooled property investments	0.1	0.0%	0.0	0.0%
Private Equity/Infrastructure	84.3	10.1%	81.1	7.9%
Total illiquid investments	**84.4**	**10.1%**	**81.1**	**7.9%**
Total investments	**835.3**	**100.0%**	**1,032.3**	**100%**

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.

17. 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.

18. 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 7assumptions (set out below) from those used for funding purposes (see Note 17). 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%.

19. Assets

a) Current assets

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

Analysis of debtors

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

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

20. Current liabilities

	31 March 2020 £m	31 March 2021 £m
Group transfers	0.0	0.0
Sundry creditors	0.4	3.1
	0.4	**3.1**

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
Total	**0.4**	**3.1**

21. 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	0.6
	1.8	**2.1**

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.

22. 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:

	31st March 2020	31st March 2021
	£m	£m
Short Term Benefits	0.039	0.038
Post-Employment Benefits	0.011	0.012
Termination Benefits	0.000	0.000
Total Remunerations	**0.050**	**0.050**

23. Contingent liabilities

Outstanding capital commitments (investments) at 31 March 2021 totalled £58.4m (31 March 2020: £76.0m).

	31st March 2020	31st March 2021
	£m	£m
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
Total	**76.0**	**58.4**

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.

24. 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.

	31st March 2020	31st March 2021
	£m	£m
Apleona HSG Limited (previously Bilfinger)	0.1	0.1
Conway Aecom	0.1	0.1
Total	**0.2**	**0.2**

25. Impairment Losses

The Fund had no impairment losses at 31 March 2021.

Grant Thornton

The Audit Findings for Brent Pension Fund

Year ended 31 March 2021

September 2021

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed on remotely during July-September. Our findings are summarised on pages 4 to 12. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix C], subject to the following outstanding matters;

- response to the queries raised in relation to the contributions analytical review;
- final manager, and partner review of the audit file and resolution of any residual queries arising;
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 22 September 2021, as detailed in Appendix C.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality due to the actual net assets changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table below our determination of materiality for Brent Pension Fund.

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	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£10,300,000	
Performance materiality	£6,180,000	
Trivial matters	£515,000	

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk requiring special audit consideration.	We have: - Evaluated the design effectiveness of management controls over journals; - Analysed the journals listing and determined the criteria for selecting high risk unusual journals; - Identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and - Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our audit work has not identified any issues in respect of management override of controls.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021. We therefore identified valuation of Level 3 investments as a significant risk.	We have: - Evaluated management's processes for valuing Level 3 investments; - Reviewed the nature and basis of estimated values and considered the assurance management has over the year-end valuations provided for these types of investments, against the requirements of the Code; - Independently requested year-end confirmations from investment managers and custodian; - Obtained audited financial statements for Capital Dynamics (Private Equity/infrastructure) and Alinda (Infrastructure) as at 31 December 2020 and we have reconciled any cash movements between the intervening period to 31 March 2021. Where the audited financial statements are not available, we have ensured that the impact of this is immaterial; - Compared the audited fund valuation for LCIV (Infrastructure) as at 31 March 2021 with the Fund Manager provided capital statements as of the same period; and - For all three funds, reviewed investment manager service auditor report on design effectiveness of internal controls. Our audit work has not identified any issues in respect of the valuation of Level 3 investments.

2. Financial Statements - Other

Other risks	Commentary
Risk of recognition in Contributions **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.**	We have: - Performed an analytical review to ensure that the contributions recognised in this financial year is in line with expectations. Where this deviates from the expected balance, we have obtained a satisfactory explanation from the Management and gained assurance over completeness. - Tested a sample of starters and leavers to the Pension Fund to gain assurance over the member data balances used in this testing. - Substantially tested a sample of employee and employer contributions for accuracy and occurrence. Based upon our sample testing, our audit work has not identified any issues in respect of pension contributions received.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £81.1m	The Pension Fund has investments in the following: - Capital Dynamics (Private Equity and Infrastructure) that in total are valued on the balance sheet as at 31 March 2021 at £46.2m; - Alinda (Infrastructure) that in total are valued on the balance sheet as at 31 March 2021 at £23.1m; and - LCIV (Infrastructure) that in total are valued on the balance sheet as at 31 March 2021 at £11.8m. Management have reviewed the year end valuations provided by the Fund Managers including the audited financial statements dated 31 December 2020. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management have used the cash flows adjusted valuation provided by the custodian, Northern Trust. The value of the investment has decreased by £3.2m in 2020/21, largely due to change in market value during the year.	From the procedures undertaken: - We have deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. - We are satisfied that the movements between 31 December 2020 and 31 March 2021 are reconciled to appropriate and known movements in the intervening period. - We are satisfied that the method, data and assumptions used by management to derive the accounting estimate is appropriate. - We are satisfied that the disclosure of the estimate in the Fund's financial statements is sufficient. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. No issues have been identified through our assessment which require reporting to those charged with governance. We are therefore satisfied that the estimate of the valuation of Level 3 investments is materially fairly stated.	Light Purple

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Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £897.4m	The Pension Fund have investments in Pooled investments and Pooled property investments, which in total are valued on the balance sheet as at 31 March 2021 at £897.4m. The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective. The Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.	From the procedures undertaken: - We have reviewed the estimation process for the Level 2 investments and are satisfied that these are in line with industry standards. - We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. No issues have been identified through our assessment which require reporting to those charged with governance. We are therefore satisfied that the estimate of the valuation of Level 2 investments is materially fairly stated.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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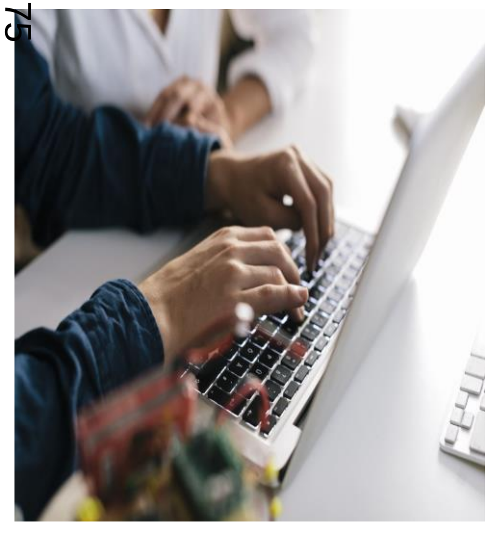

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix C.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report as part of the December 2021 Audit and Standards Advisory Committee.

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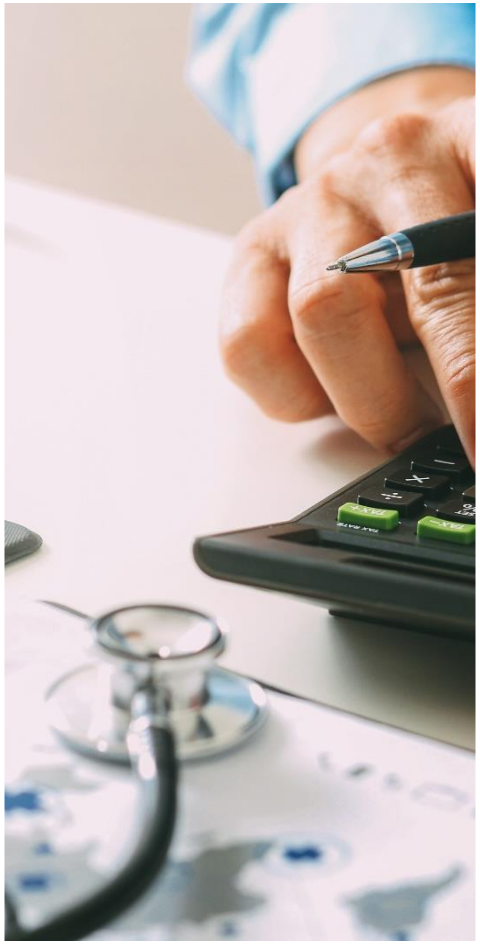

3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Appendices

A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Member Data	The member data disclosed in Note 1 b) of the draft accounts was not correct. The Pension Fund had included frozen refunds in this note and as such, should remove this in the final version of the accounts. **Management response** Management have agreed to make the required amendments.	✓
Other presentational and disclosure issues	The audit team propose that the Pension Fund amend all other minor and presentational issues highlighted in the audit. **Management response** Management have agreed to make the required amendments.	✓

B. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services. We would also note that PSAA have made a distribution of £3k to support 20/21 fees.

Audit fees	Proposed fee	Expected Final fee
Pension Fund Audit	£33,000	£33,000
Total audit fees (excluding VAT)	£33,000	£33,000

Details of variations in final fees from the proposed fee per the audit plan

The fees reconcile to the financial statements.

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of London Borough of Brent on the pension fund financial statements of Brent Pension Fund

Opinion

We have audited the financial statements of Brent Pension Fund (the 'Pension Fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

• give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;

• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion.

Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

C. Audit opinion

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

• we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

• we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

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• we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

• we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

• we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX September 2021

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Independent auditor's report to the members of London Borough of Brent on the pension fund financial statements of Brent Pension Fund

Opinion

We have audited the financial statements of Brent Pension Fund (the 'Pension Fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

29 September 2021

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Brent	**Pensions Fund Sub-Committee** 5 October 2021
	Report from the Director of Finance

Net Zero Transition Roadmap

Wards Affected:	All
Key or Non-Key Decision:	n/a
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	PART EXEMPT - as it contains 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)"
No. of Appendices:	Three Appendix 1 Roadmap – journey to net zero Appendix 1a. Appendix D in Roadmap – journey to net zero (Exempt from publication) Appendix 2 London CIV – Net Zero Strategy
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Rubia Jalil, Finance Analyst 020 8937 1855 Rubia.jalil@brent.gov.uk

1.0 Purpose of the Report

1.1 This report presents a detailed framework setting out the practical steps to transition to net zero and to top-up the allocation to the Fund's existing low carbon global equity mandate.

2.0 Recommendation(s)

The Committee is asked to:

2.1 To agree the net zero road map as outlined in Appendix 1.

2.2 To approve a further 3% allocation (c. £32m based on June 2021 valuation) in the Blackrock ACS World Low Carbon Equity Tracker Fund.

3.0 Net Zero Transition Roadmap

3.1 The Fund's investment advisors, Hymans Robertson, have prepared the attached roadmap in Appendix 1 which sets out the necessary steps for the Fund over the short, medium and long term in the context of setting and achieving its net-zero goals.

3.2 Responsible investment, in particular climate risk, continues to dominate the LGPS and broader investment landscape. Therefore it is important for the Fund to evolve its investment strategy to take account of the opportunities and risks presented by climate change.

3.3 The Fund has made good progress to date in this regard with a number of important steps taken:

- Dedicated RI training sessions for Fund Officers and Sub-Committee members;
- Introduction of RI focussed investment beliefs;
- Investment in new low carbon mandate (BlackRock ACS World Low Carbon Equity Tracker) and new infrastructure fund with a significant allocation to renewables (LCIV Infrastructure Fund); and
- Updated Investment Strategy Statement (ISS) to reference carbon goals.

3.4 This paper reviews the various net zero aspects into a practical 'roadmap' for the Fund, and considers the following key principles:

- Background to Responsible Investment (RI) and key themes/principles that will require due consideration by the Fund as part of the net-zero journey.
- Developing a Net Zero Framework in the form of 5 key areas to drive forward the Fund's strategy.
- A short and medium term roadmap for each key area within the framework.

- Potential targets (both long term and interim) for further consideration and an initial list of equity funds.

3.5 The London CIV (LCIV) recently announced an intention to target net-zero by 2040. Specifically, they state in “recognising our duty to act in the long-term interests of our clients, it is recommended that the London CIV makes a commitment to become a Net-Zero company by 2040”. As part of this they have also proposed interim carbon intensity targets for their fund range and broader engagement and transition targets. London CIV’s net-zero strategy is attached in Appendix 2.

4.0 BlackRock Low Carbon Fund

Background

4.1 The Fund is in the process of making an initial 3% investment from cash to BlackRock’s Low Carbon Fund. The introduction of this fund was agreed last year and forms part of the Fund’s core equity allocation.

4.2 A 3% allocation is seen as a positive first step in the evolution of the strategy to be more responsible investment focussed. It was made with the intention of increasing the proportion of equity holdings held in “ESG” mandates over time.

4.3 In line with this and as part of the Fund’s net-zero aspirations, a growth structure review is planned for the second half of 2022 which is aimed at reviewing and potentially restructuring the Fund’s developed market equity holdings to be consistent with any agreed upon net-zero targets. Ahead of this formal review, it is proposed to increase the allocation to the BlackRock Low Carbon Fund.

Increasing allocation

4.4 As noted above, the 3% allocation was billed as a first step with the Low Carbon Fund intended to play a long term role. This will be alongside introducing other RI focussed equity mandates to offer manager/style diversification.

4.5 Given this long term aspiration, our investment advisors are supportive of a managed increase to the initial 3% allocation in the interim. A further 3% allocation (broadly £32m based on 30th June 2021 Fund valuation) would take the Fund’s total investment in the Low Carbon Fund to c.6% of total assets.

4.6 This size of allocation is meaningful enough to provide a positive low carbon impact ahead of the growth structure review but low enough so as not to create potential conflict with the outcome of the review itself i.e. it is likely the proposed allocation to BlackRock from the review will be at least 6%.

Source of funds

4.7 As at 30 June 2021 the Fund’s asset allocation was as per the table below (taken from the 30 June 2021 Investment Monitoring Report produced by Hymans Robertson).

Manager	Valuation (£m) 30 June 2021	Actual Proportion (%)	Benchmark (%)	Relative (%)
LGIM Global Equity	474.7	44.1	43.0	1.1
LGIM UK Equity	63.3	5.9	5.0	0.9
Capital Dynamics Private Equity	37.8	3.5	5.0	-1.5
LCIV JP Morgan Emerging Markets	50.4	4.7	5.0	-0.3
Total Growth	**626.1**	**58.2**	**58.0**	**0.2**
LCIV Baillie Gifford Multi Asset	137.1	12.7	10.0	2.7
LCIV Ruffer Multi Asset	91.4	8.5	10.0	-1.5
Alinda Infrastructure	22.7	2.1	0.0	2.1
Capital Dynamics Infrastructure	8.8	0.8	0.0	0.8
Aviva Property	0.0	0.0	0.0	0.0
LCIV Infrastructure	13.2	1.2	5.0	-3.8
Total Income	**273.2**	**25.4**	**25.0**	**0.4**
LCIV CQS MAC	43.6	4.1	5.0	-0.9
Blackrock UK Gilts Over 15 Years	85.7	8.0	10.0	-2.0
Total Protection	**129.3**	**12.0**	**15.0**	**-3.0**
Cash	47.6	4.4	2.0	2.4
Fund Total	**1076.2**	**100.0**	**100.0**	

Figures may not add up due to rounding.

4.8 The Fund is broadly in line with the interim benchmark allocation for "growth" assets at an overall level. However, once the 3% allocation is made to the BlackRock Low Carbon Fund from cash there will be a 4% overweight to global equities. Meeting the proposed further 3% allocation from outside the growth allocation would only serve to increase the overweight to growth (global equities) more.

4.9 It is therefore sensible to look within the growth portfolio to meet the additional allocation. Thus, it is recommend the 3% is switched from the LGIM Global Equity mandate for the following reasons:

- A straight global to global split would maintain the Fund's prevailing balance within the growth portfolio
- The private market mandate is illiquid and so not appropriate as a source of funds
- Taking from the emerging market mandate would reduce diversification within the growth portfolio given its exposure to different markets. It is also broadly in line with its agreed allocation, any divestment would mean a material underweight
- Taking from the UK mandate would reduce the allocation materially below the 5% target agreed by the Sub-Committee as part of the last review. From a governance perspective, we would propose any

alteration to the UK equity allocation be taken following appropriate training and discussion (i.e. as part of the growth structure review).

5.0 Financial Implications

5.1 The Fund currently has surplus cash within its allocation. At as 31 August 2021, cash held by the Fund amounted to £54.4m. When making investment decisions, there are a number of factors to note. This includes liquidity requirements to meet future private market commitments and to pay pensions on a monthly basis.

5.2 The Fund maintains an allocation of 2% over the short-medium term in cash to meet these needs. It is proposed that the 3% allocation (c.32m) to the BlackRock Low Carbon Fund is funded by selling 3% from the LGIM global equity mandate.

6.0 Legal Implications

6.1 The Pension Fund Sub-Committee holds a key fiduciary responsibility to manage the Fund's investments in accordance with its investment strategy and in the best interests of the beneficiary members and the council tax payers, where the primary focus must be on generating an optimum risk adjusted return. It is vital that any investment decision must not negatively impact on this primary responsibility.

6.2 The administering authority has fiduciary duties both to scheme employers and scheme members and the investment strategy must be exercised for investment purposes, and not for any wider purposes. Thus, investment decisions must be spread across a wide variety of investments classes and achieve a balanced risk and return objective.

6.3 The choice of investments can be influenced by RI and ESG considerations, so long as that does not risk material financial detriment to the Fund.

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.

<u>Report sign off:</u>

Minesh Patel
Director of Finance

Roadmap – journey to net zero

This paper is addressed to the Pension Fund Sub-Committee and Officers of the London Borough of Brent Pension Fund ("the Fund") to breakdown the necessary steps for the Fund over the short, medium and long term in the context of setting and achieving its net-zero goals. The intended result is a living 'roadmap' that will evolve alongside the Fund's climate strategy.

The paper has not been prepared for use for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the paper is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

1. Introduction

Responsible investment, in particular climate risk, continues to dominate the LGPS and broader investment landscape. It is important for the Fund to evolve its investment strategy to take account of the opportunities and risks presented by climate change.

The Fund has made good progress to date in this regard with a number of important steps taken:

- Dedicated RI training sessions for Fund Officers and Sub-Committee members
- Introduction of RI focussed investment beliefs
- Investment in new low carbon mandate (BlackRock ACS World Low Carbon Equity Tracker)
- Updated Investment Strategy Statement (ISS) to reference carbon goals

It is now no longer best practice to simply consider broader ESG and climate risks within an investment strategy. The direction of travel from all sides (investment, regulatory and ethical) is to fully integrate RI, especially climate risk, into investment strategies in a manner consistent with achieving societal goals – minimising the risk of global temperatures increasing by more than 1.5 degrees, the target set by the Paris Agreement.

In our paper titled 'Positioning the Fund for the transition to a low carbon economy" dated June 2021 we covered at a high level the various considerations involved when setting a net-zero strategy including. These included important external factors, namely the Taskforce on Climate-Related Financial Disclosures (TCFD), the Institutional Investors Group on Climate Change (IIGCC) and the Stewardship Code. For convenience we have included a detailed summary of each in the appendix.

What the Fund is seeking to do now is build this into a detailed framework setting out the practical steps required over the short, medium and longer term to achieve its goal of net zero.

This paper therefore distils the various net zero aspects into a practical 'roadmap' for the Fund, starting with the key principles to be considered.

2. Background – RI focus and key principles

In establishing a net-zero roadmap, it is important to first be clear on what the main driver for change is as this will help provide focus and direction.

There exists a strong sense of responsibility amongst LGPS funds for using public sector finances to drive positive change. At the same time a fiduciary duty exists to deliver the best risk adjusted returns possible for members. In the past these may have been seen to be conflicting objectives but that is certainly no longer the case with the two very much intertwined as the world transitions to a low carbon economy.

As this transition takes place, there will be widescale reallocation of capital. Businesses and governments that manage climate risk effectively could be expected to out-perform those that don't. This will affect the returns and risks of their traded equities and bonds, a causal effect that can be assumed to extend to investments in general.

Positioning the Fund's strategy to play a part in this transition may therefore not just be for ethical reasons; it is likely to be aligned to the fiduciary duty of Officers and Sub-Committee members and so can be argued to be first and foremost an investment decision. It is investing with a view to generating higher returns than would otherwise be achieved.

Key principles

There are various themes/principles that will require due consideration by the Fund as part of the net-zero journey. Only once these areas have been addressed will appropriate implementation routes be able to be defined. For Brent, these are:

1. Effective stewardship

   This is arguably the most important aspect of being a responsible investor. There is a large school of thought supported by academic research that points to effective stewardship (e.g. voting, board representation) as being key drivers of positive performance, and perhaps even outperformance. There does need to be recognition though that driving positive change (e.g. decarbonisation) through engagement is a process that can take time.

   We understand the Council currently has a stated commitment in place to divest, but to do so in a responsible manner. A key focus for training is therefore to define what is meant by this commitment, whether it is something that the Fund would also be interested in adopting and if so how it would be implemented in practice. This will ultimately guide decisions the Fund will take on its net zero strategy over short, medium and long term.

2. Active management versus passive

   Secondly there is the age old active versus passive conundrum. Currently, the Fund's investment beliefs state:

   - *Passive management has a role to play in the Fund's structure; and*
   - *Active management can add value but it not guaranteed.*

   Ultimately the Fund recognise both styles have their place, with active management preferred for what are deemed to be less efficient markets e.g. emerging market equities, with passive funds the strategy of choice for developed market equities. As the range of investment funds further develops to meet the needs of investors seeking to reduce their carbon exposure, it's important to consider whether active or passive funds (or a combination of the two) will best meet the Fund's requirements. In addressing the Fund's net-zero goals, we feel this represents an opportune time for the Sub-Committee to also review their RI and broader investment beliefs.

3. Alignment with objectives and targets set by the Council and LCIV

   This relates to timeframes and alignment to relevant third parties. We are aware that the Council, the London Borough of Brent, has declared a 'climate emergency' and are committed to achieving net-zero by 2030. The London CIV (LCIV) on the other hand recently announced an intention to target 2040. Specifically, they state *in "recognising our duty to act in the long-term interests of our clients, it is recommended that the London CIV makes a commitment to become a Net-Zero company by 2040". As part of this they have also proposed interim carbon intensity targets for their fund range and broader engagement and transition targets. With LCIV effectively housing the Fund's assets, their sub-fund range and net-zero policy will undoubtedly be instrumental in facilitating and supporting the Fund's route to net zero. Any timeframe specified by the Fund will have a bearing on the actions and options included in the roadmap. For instance, should the Fund set a target date earlier than LCIV's own target, consideration will be needed as to what actions are required to accelerate carbon reduction versus the LCIV's transition pathway.*

3. Developing the 'framework'

In our paper titled 'Positioning the Fund for the transition to a low carbon economy" dated June 2021 we introduced the concept of a net-zero 'framework' in the form of 5 key areas or 'workstreams' central to setting and driving forward the Fund's strategy. Table 3.1 below summarises this framework along with a high level overview of the type of considerations that sit within each area.

Table 3.1: Net Zero Framework

Education	Understanding Net-zero, TCFD, IIGCC Understanding relevant metrics and key principles. Considering RI beliefs/priorities to steer implementation
Understanding the baseline	What is the current carbon and ESG position on the Fund? Understand any gaps that exist in data and what can be done to overcome these Understand the current trajectory of companies within the portfolio
Evaluating alignment and setting targets	Consider net-zero aspirations of relevant external parties Set short, medium and long term objectives and targets
Planning and implementation actions	Consider how best to manoeuvre strategy to be aligned to net-zero targets Are there elements to prioritise? Consider implementation routes in terms of consistency with beliefs
Monitoring and reporting progress	Consider ongoing monitoring regime Development of robust engagement policy

As with any LGPS investment strategy decision, the development of a net zero strategy should be done with a long term mindset. However, in formulating a 'roadmap' of targeted actions, it is necessary to look and plan over various timeframes. Achieving net-zero is not a one stop shop in terms of deciding on a course at time zero and sticking with it through to an end point. It will involve a concerted effort by all parties, with regular actions needing to be taken to stay on track. A robust plan must therefore factor this in by breaking down each area into the short, medium and long term. This can be seen by the proposed roadmap in the next section.

We see the actions taken over the next 12 months as being most helpful in defining the concrete plans. Inevitably the longer terms plans, e.g. for 2022 to 2024, will need to be refined as we monitor factors such as progress made by the Fund, its managers and LCIV, the availability of data plus any legislative changes. As such, the roadmap for 2022 to 2024 is framed more in terms of principles.

Roadmap

Short term (next 12-18 months)

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Workstream	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Education	Training (5 October 2021 meeting) Begin review of RI beliefs/priorities (capturing ‘E’,’S’ & ‘G’)	Training (21 February 2022 meeting) Complete review of RI beliefs/priorities (capturing ‘E’,’S’ & ‘G’) Define stewardship role and monitoring requirements	Training - LCIV to provide overview of ESG funds	Training on TCFD/Stewardship Code		
Understanding the baseline	Carbon footprint/ESG reporting including gap analysis, e.g. for private market mandates	Agree carbon metrics to be monitored (e.g. WACI/total emissions/fossil fuel exposures) and form of regular reporting				
Evaluating alignment and setting targets	Officer engagement with LCIV regarding net zero target	Develop “strawman” based on 2030, 2040 and 2050 for illustration and to assess feasibility Initial discussions on targets	Agree initial targets, including qualitative targets for private markets if required Define “on track” target line			
Planning and implementation actions	Consider governance options to oversee implementation		Establish manager monitoring programme, e.g. attendance at meetings	Review structure of growth allocation following review of RI beliefs		Update relevant policies, e.g. ISS, RI beliefs
Monitoring and reporting progress	Engage with managers/LCIV on RI reporting format		Introduce carbon metric reporting in quarterly performance reporting			Review reporting – more detail at 31 March each year

Medium term (2-3 years)

	2022 to 2024
Education	Develop TCFD reporting, including sensitivity analysis, supported by training Re-affirm RI beliefs (2024)
Understanding the baseline	Review metrics being monitored, in light of availability of new data sources Assess portfolios on a more granular basis, e.g. proportions of investments classed as green/not green
Evaluating alignment and setting targets	Maintain regular dialogue with LCIV Review interim and long-term targets recognising progress made to date and external factors
Planning and implementation	Quantify impact of future strategy changes, e.g. wind down of CD, Alinda plus steps being taken by LCIV to reduce carbon emissions Is carbon reduction strategy on track versus targets line?
Monitoring and reporting	Annual carbon footprint/ESG reporting at 31 March Develop and submit TCFD reporting (deadline expected 2023)

5. Potential targets and initial list of funds to consider

We have set out below some potential targets for further consideration. The interim targets represent significant milestones towards the longer term net zero target.

- Net-zero aspiration: 2030 to 2050 (with a triennial review to gauge viability of bringing timeframe forward)
- Interim targets (those shown below are included as examples for discussion – actual targets will be agreed following discussions with Sub-Committee members and Officers):
    - Reduce carbon intensity as measured by Weighted Average Carbon Intensity (WACI) by X% by 2030 versus 2021 base year
    - Reduce total/potential emissions from fossil fuel reserves by X% by 2030 versus 2021 base year
    - Invest at least X% of Fund's portfolio in climate solutions (e.g. renewable infrastructure, green bonds, companies with >90% revenues from climate change activities) by 2030
    - Percentage of portfolio with net zero targets to be at least X% by 2030

Growth structure (developed market equities)

At 50% of the portfolio, the Fund's equity investments hold the key to achieving net-zero goals. Now, specific actions will result from analysis carried out as part of the growth structure review. However, we appreciate it will be helpful at this stage for Officers and Sub-Committee members to have an understanding of the direction of travel and therefore an insight into the types of actions that could be taken here. To this end we have outlined possible actions below that will be firmed up later in the year:

- Review rationale for continuing with 5% UK equity allocation (10% of overall equities). An outcome here could be to consolidate into global strategies to bring UK allocation into line with its share of global markets (5%).
- Following on from the above, actions can be taken to increase allocation to appropriate Paris aligned mandates (either active or passive depending on outcome of belief exercise) capable of achieving carbon reduction targets. A shortlist of options available to the Fund are shown below:
    - LCIV RBC Sustainable Equity Fund (active)
    - LCIV RBS Sustainable Equity Exclusion Fund (active)
    - LCIV Low Carbon Passive Equity Fund (to be launched)
    - LCIV Paris Aligned Active Equity Fund (to be launched)
    - BlackRock ACS World Low Carbon Equity Tracker Fund
    - LGIM Future World Range (a number of options within this)

  Summary details for each fund are shown in appendix D.

  Given the LCIV are now developing what can be deemed to be appropriate options for the Fund, due consideration will need to be given to any potential investments outside of the Pool.

6. Summary and next steps

As is evident from the roadmap, there is a significant amount of work involved in considering and setting a net-zero ambition for the Fund.

To progress with the Fund's net-zero agenda, we recommend the Sub-Committee agree the above roadmap in principle, with approval for any proposed changes delegated to Officers. This will allow Q4 2021 and Q1 2022 actions to be progressed ahead of the next Sub-Committee meeting in February 2022.

We look forward to discussing this with you.

Prepared by:-

Kenneth Taylor, Investment Consultant

Kameel Kapitan, Associate Investment Consultant

For and on behalf of Hymans Robertson LLP

September 2021

Appendix A: Taskforce for Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-Related Financial Disclosures (TCFD) established recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change. Their widespread adoption will ensure that the effects of climate change become routinely considered in business and investment decisions and will help better demonstrate responsibility and foresight in their consideration of climate issues, leading to smarter, more efficient allocation of capital, and helping to smooth the transition to a more sustainable, low carbon economy.

Currently there are no requirements for LGPS to report under TCFD, however, consultation on this is expected very soon with likely requirements coming in from 2022/23. For completeness, the recommended disclosures under TCFD are set out below:

Governance

a. Describe the board's oversight of climate-related risks and opportunities.
b. Describe management's role in assessing and managing climate elated risks and opportunities.

Strategy

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

a. Describe the organisation's processes for identifying and assessing climate-related risks.
b. Describe the organisation's processes for managing climate-related risks.
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Metrics and Target

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
c. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets

Whilst there is no guarantee the LGPS requirements will be identical, there is no indication that they will be materially different, if at all. The Ministry for Housing, Communities and Local Government (MHCLG) recently stated earlier this year "A core principle we will be following is that the quality of the disclose and risk management should be as high for a LGPS fund as for their private sector counterpart," and that the consultation will be "very similar" to the Department for Work and Pensions' (DWP) proposals for private funds.

Given the planned adoption by the MHCLG for the LGPS within the medium term, it makes sense to start thinking about TCFD requirements and planning for their introduction. Aside from the mandatory aspect, the requirements can be considered to be best practice in the and advance planning can ensure a smooth, phased adoption, easing the governance burden on Officers and Sub-Committee members.

Appendix B: Institutional Investors Group on Climate Change (IGCC)

The institutional Investors Group on Climate Change (IIGCC) are a body for investor collaboration on climate change – their goal is to support the investment community in pursuing “significant and real” progress by 2030 towards a net zero future.

In doing so they have developed a Paris Aligned Investment Initiative (PAII) to assist investors in aligning their portfolios to the goals of the Paris Agreement, i.e. net zero by 2050. The main output so far has been their ‘Net Zero Investment Framework’ published earlier this year, March 2021.

Sets direction and portfolio structure for alignment

PORTFOLIO / FUND LEVEL

4 Governance and Strategy

- ☐ Commit to the goal of achieving net zero portfolio emissions by 2050, or sooner, and adopt an investment strategy consistent with the achievement of global net zero emissions by this date
- ☐ Define beliefs, set investment strategy and mandates/performance objectives for portfolio managers, asset managers, and other relevant personnel
- ☐ Undertake climate financial risk assessment in line with TCFD recommendations
- ☐ Publish a clear action plan, and disclose information on governance, strategy, metrics and targets, and management in relation to achieving alignment to net zero

5 Targets and Objectives

- ☐ Set medium term emissions reduction and climate solutions reference targets to inform SAA and monitor impact of strategy

6 Strategic Asset Allocation

- ☐ Update capital market assumptions based on scenario analysis
- ☐ Optimisation with emissions and climate solutions metrics
- ☐ Set asset class mix with climate variants
- ☐ Review constraints to increasing alignment

Shifts alignment of assets to meet portfolio goals

ASSET CLASS LEVEL

7 Asset Class Alignment

Assess assets and set targets:

- ☐ Assess assets based on current and forward looking alignment criteria, and investment in climate solutions
- ☐ Set goals for increasing % AUM invested in aligned assets
- ☐ Implement an engagement goal to ensure at least 70% of financed emissions in material sectors are either net zero, aligned to a net zero pathway, or the subject of direct or collective engagement and stewardship actions

Implement:

- ☐ Portfolio construction: Screening, positive and negative weighting, tilted benchmarks to allocate capital to support alignment and invest in climate solutions
- ☐ Engagement: Criteria based escalating engagement and voting strategy for non-aligned assets; tenant and issuer engagement
- ☐ Selective divestment: Based on climate-related financial risk; engagement escalation; non-permissible activity thresholds
- ☐ Investment/management actions for directly owned assets (e.g. real estate)

Influences enabling environment to facilitate alignment

EXTERNAL

8 Policy Advocacy

- ☐ Net zero aligned policy and regulation
- ☐ Disclosure; shareholder rights
- ☐ Collective and direct advocacy delivered through meetings, letters, responding to consultations, and media activity, as well as ensuring trade association advocacy is consistent with net zero goals

8 Market Engagement

- ☐ Asset manager or client
- ☐ Market actors including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers

In setting objectives, the IIGCC framework proposes both high level (portfolio level) and more granular (asset level) targets and objectives are set. The framework also suggests that any objectives should be set with no more than a 5-10 year time horizon in order that action can be focused. Suggested areas of coverage under the framework are:

Appendix C: Stewardship Code

In 2010, the Financial Reporting Council (FRC) published its first version of the UK Stewardship Code. In 2019, the FRC released an update version – the UK Stewardship Code 2020. As per the original, the goal of the Code is to "enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders". The code aims to achieve this by setting high stewardship standards for asset owners and asset managers, and also for service providers where applicable.

It is a voluntary code that adopts an 'apply and explain' principles approach. There are 12 principles covering the following:

1. Purpose, strategy and culture
2. Governance, resources and incentives
3. Conflicts of interest
4. Promoting well-functioning markets
5. Review and assurance
6. Client and beneficiary needs
7. Stewardship, investment and ESG integration
8. Monitoring managers and service providers
9. Engagement
10. Collaboration
11. Escalation
12. Exercising rights and responsibilities

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Brent	**Pensions Fund Sub-Committee** 5th October 2021
	Report from the Director of Finance
Property Allocation	

Wards Affected:	All
Key or Non-Key Decision:	n/a
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	PART EXEMPT - as it contains 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)"
No. of Appendices:	One: Appendix 1 Property Allocation Report (exempt from publication).
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Rubia Jalil, Finance Analyst 020 8937 1855 Rubia.jalil@brent.gov.uk

1.0 Purpose of the Report

1.1 This report presents analysis and results of investment options for the Committee to consider and agree which fund to invest in. It provides an overview of the Fund's strategic allocation to property, an introduction to the UK property market, a summary of four potential property funds, and recommendations for investment and implementation.

2.0 Recommendation(s)

The Committee is asked to:

2.1 To note the analysis set out in Appendix 1 undertaken by the Fund's investment advisors, Hymans Robertson in relation to an initial investment in a property fund(s).

2.2 To review the four property fund opportunities outlined in Hymans Robertson report and approve the proposed investment of 3% total (c. £30m) in:

- Fidelity UK Real Estate Fund (1.5%)
- UBS Triton Property Fund (1.5%).

3.0 Background

3.1 The Fund currently has a long-term target allocation to property of 10%. This has been in the Fund's strategic asset allocation since 2018 and is currently unfunded, with the assets being held in a combination of the Fund's equity and two Diversified Growth Funds (DGF) mandates until a suitable investment opportunity is identified.

3.2 According to our current investment beliefs London CIV is the Fund's preferred approach to implementation and the original intention for the property allocation was to invest in property funds made available by London CIV. To date, the London CIV pool has not made a property fund available to London Boroughs. It is understood that there are currently no plans to offer such a fund therefore officers have explored options outside London CIV.

3.3 The Fund's investment advisors, Hymans Robertson, believe a sensible approach to reaching the 10% allocation is to start with an initial 3% allocation (c.£30m in monetary terms), and then top-up the allocation in future years.

3.4 This allows the Fund to assess the performance of the portfolio periodically and allocate future funds to the best opportunities in the property market as they become available, including alternatives, notably residential property, and global property.

4.0 Strategic case for property and suggested initial allocation

4.1 UK commercial property has been a core asset for lots of UK pension funds for many years and it generally has been effective at reducing overall risk within portfolios.

4.2 There are a number of options available to UK pension schemes:

- Investment in property, mainly whether to buy individual properties directly; or
- Aggregate capital with other investors by buying units in a pooled fund.

4.3 Investing directly is only an option for larger investors. For the Brent Fund, the size of the assets to be allocated to property are insufficient to make direct investment.

4.4 Indirect property investment is the most practical option for the Fund. Pooling assets with other investors will allow the Fund the opportunity to consider investing in range of property sectors and geographies.

4.5 As a starting point, it is recommended that a substantial proportion of the strategic allocation is invested in 1 or 2 core UK commercial property strategies. Once these core allocations are in place, other areas of the property market such as a global property allocation or residential property allocation can be considered.

4.6 Pooled property funds can be open-ended (almost perpetual) or closed-ended with a fixed term (e.g. 7 years). 'Core' or lower risk property assets have limited exposure to what would be deemed riskier 'opportunistic' properties/strategies. There will usually be some form of value-add through refurbishments or change of use but speculative development is less common 'core' strategies. In the UK, the majority of balanced property funds are open-ended.

4.7 There is merit in splitting the core property allocation to reduce potential risks in the future. Investing in 2 complementary funds diversifies:

- Underlying property asset risk;
- Tenant exposure; and
- Manager risk, particularly when future change could result in significant cost.

4.8 Attached in Appendix 1 (exempt), the Hymans Robertson have a detailed property allocation recommendation for the Fund. From their on-going research they have presented high level data, historic performance and current positioning for 4 preferred funds. Of these 4 Funds, it is recommended that the following two funds are the best options for the Fund:

- Fidelity UK Real Estate Fund; and
- UBS Triton Property Fund.

4.9 The report also explains the reasons why the remaining two preferred funds have been excluded from the recommendation.

4.10 The Committee may prefer to appoint a single manager so as to limit the overall governance burden. However splitting the allocation between both recommended funds would be complimentary and further diversify risk.

4.11 The Fund's long term allocation to property is being held in a combination of the Fund's equity and two Diversified Growth mandates. It is envisaged that the Funds for this investment will be made available from these investments. The Director of Finance and the Fund's investments advisors will rebalance the appropriate mandates to move towards the Fund's strategic asset allocation whilst also minimising transaction costs.

5.0 Financial Implications

5.1 Any transition of property assets tends to be costly due to stamp duty and other transaction fees. A secondary market is often available for many funds, which can reduce transaction costs at times but this relies on a two-way flow and may result in a significant price difference from Net Asset Value (NAV). Liquidity of balanced funds can sometimes be better than that of the direct market but at times of market stress, liquidity can quickly become an issue.

5.2 The Fund's investment advisors believe the two recommended funds – the Fidelity UK Real Estate Fund and the UBS Triton Property Fund – would be complementary and by splitting the allocation, the Fund would further diversify risk (property asset specific risk, tenant exposure and manager risk) in an asset class that can become difficult to change at times.

5.3 By investing in two funds it would provide the Fund with more options over the longer term for both topping up exposure and for drawing liquidity through time if needed. In monetary terms, this would represent an investment of £15m per fund.

6.0 Legal Implications

6.1 The Pension Fund Sub-Committee holds a key fiduciary responsibility to manage the Fund's investments in accordance with its investment strategy and in the best interests of the beneficiary members and the council tax payers, where the primary focus must be on generating an optimum risk adjusted return. It is vital that any investment decision must not negatively impact on this primary responsibility.

6.2 The administering authority has fiduciary duties both to scheme employers and scheme members and the investment strategy must be exercised for investment purposes, and not for any wider purposes. Thus, investment decisions must be spread across a wide variety of investments classes and achieve a balanced risk and return objective.

6.3 Subject to the above responsibilities and duties, the choice of investments and the sums invested are at the discretion of the Pension Fund Sub-Committee so long as that does not risk material financial detriment to the Fund.

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.

<u>Report sign off:</u>

Minesh Patel
Director of Finance
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Brent

MINUTES OF THE PENSION BOARD
Held as an online meeting on Thursday 22 July 2021 at 6.00 pm

PRESENT (in remote attendance): Mr David Ewart (Chair), Councillor Kabir and Chris Bala (Pension Scheme Member representative), Robert Wheeler (Member representative- GMB) and Bola George (Member representative – Unison).

Also Present (in remote attendance): Councillor McLennan (Deputy Leader & Lead Member for Resources) & Councillor Choudhary (Chair – Brent Pension Fund Sub Committee)

1. **Apologies for absence**

Apologies for absence were received from Councillor Crane.

2. **Declarations of interests**

Councillor Kabir declared a personal interest in Agenda Item 12 (Brent Pension Fund Draft Accounts 2020-21) as a Trustee of the Compass Learning Partnership who were one of the employer organisations listed as active members of the Fund under Scheduled Bodies.

3. **Minutes of the previous meeting - 23 March 2021**

The minutes of the previous meeting held on 23rd March 2021 were agreed as an accurate record.

4. **Matters arising**

None.

5. **Chair's Annual Report**

This Chair presented his Annual Report to the Board for 2020/21, providing a summary of the work carried out by the Council's Pension Board during the 2020/21 municipal year.

The members of the Board and officers involved were thanked for their work and support. In addition to the reports and regular updates being provided it was also noted that the Board had continued to receive regular training and briefings on key elements on the Pension Administration Strategy and Fund which had also been important in guiding their operation over the year. Members felt it would also be useful to detail the training provided within future reports.

As no further issues were raised the Board **RESOLVED** to note and endorse the Annual Report.

6. **Pensions Administration Update**

Mr Saagar Raithatha (Brent Council - Senior Finance Analyst) introduced the report updating the Pension Board on various pension administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

In considering the report, the Board noted:

- The Pension Administration performance update, as detailed within section 3 of the report.
- The Annual Benefit Statement (ABS) update, as detailed within section 4 of the report. As part of the update members were advised that the statement provided a breakdown of pension benefits for all eligible, active and deferred members, with a deadline for being issued of 31st August each year. Scheme employers were required to submit an end of year return in order to enable the ABS to be produced, with any delay in submission creating a risk to the ABS being issued within the deadline. Members were updated that following publication of the report, three employers were still to submit their end of year return with the Fund and LPP continuing to closely monitor the position and work with the employers to ensure submission of their returns within the necessary deadline. Of those outstanding one was awaiting clarification on minor data queries and it was expected that the other submissions would be submitted shortly, with officers maintaining engagement to ensure the final deadline was met. Members noted that the initial deadline for submission of the employer submissions had been 30 April 2021 and whilst noting the ongoing work to secure the final submissions, they were also concerned at the impact of these delays.
- The Local Pension Partnership Administration (LPP) business update, as detailed within section 5 of the report.

John Crowhurst (Operations Director, LPP) then provided the Board with a presentation outlining key business and performance updates within the LPP Quarterly & Annual Brent Pension Fund Administration Report. Key issues highlighted were as follows:

Referring firstly to the Quarterly Administration report, members were advised this covered the period from January 21- March 21. It was noted that performance overall had been good with the majority of SLAs being met. Whilst noting that performance in relation to the retirements SLA had fallen below target, the Board were assured that this did not materially affect any payments being made. Another area of performance identified related to the average waiting time to contact the helpdesk. The Board noted that this was related to the increase in calls about bereavements and retirements during the pandemic with access to that part of the helpdesk prioritised, which had an impact on performance in other areas. Members were advised of the service improvements which had been introduced in order to address this issue and the positive impact these would be expected to have in terms of restoring performance.

Members also noted and welcomed the Pension Regulator scorecard achieved in relation to the accuracy of common and conditional data relating to scheme records, which had shown a significant improvement from the previous quarter.

Moving on to the Service Improvement Plan, the Board's attention was drawn to the work scheduled to change how retirements were prioritised in order to improve the time to payment, including the work done to make that process more efficient through support and training. Other initiatives highlighted included the launch of member video guides and educational videos along with progress on the Guaranteed Minimum Pension reconciliation project designed to review and address any discrepancies between HMRC's and Brent's data.

In addition, the Board was also provided with an update on the change in software supplier for the LPP pension administration system, with the current system due to be replaced by Civica's Universal Pensions Management system. Members were advised of the measures being taken to ensure no disruption in the day to day performance of the system, which was expected to go live in September 2022, with the Board keen to ensure that the data transfer process was also managed securely and accurately in order to maintain integrity. It was noted that further updates would continue to be provided for the Board as the project progressed and in order to provide assurance on the transfer of the administrative systems and data.

Members were then invited to ask questions, with the issues raised summarised below:

- In response to a question regarding how staff on the helpdesk were coping in light of the additional bereavement calls, the Board were advised that it had been a busy and challenging period for the help desk. Measures taken to alleviate the pressure had included the recruitment of a number of newly trained staff into the business, which had been supported by a programme of staff engagement and wellbeing surveys and this had generated a positive response.

- In response to a query regarding data migration, the Board were advised of the measures in place to ensure that the quality of data was maintained and its migration was undertaken securely, with further assurance to be provided as part of the ongoing migration and data cleanse process.

- It was asked what advice was available to scheme members seeking further details on retirement and the links with the Council's HR department. In response the Board was advised of the support available through LPP in terms of the provision of retirement advice and guidance co-ordinated through their engagement officers.

- Details were also sought on the availability of any benchmarking data in relation to the Pension Regulator scores on the accuracy of common and conditional data. Whilst comparator scores were currently not published, the Board were advised of the most common challenges faced including deferred addresses and missing leaver forms.

As there were no further questions from Members, the Chair thanked John Crowhurst and officers for the update and it was **RESOLVED** that the report be noted

7. **Revised Brent Pension Fund Pensions Administration Strategy**

Ravinder Jassar (Deputy Director of Finance) introduced the report, presenting the revised Pensions Administration Strategy for the Brent Pension Fund.

In considering the report, the Board noted that the revised strategy was part of an ongoing review of all policies, procedures and guidance for the pension fund and set out the performance standards towards providing a high quality, effective and efficient pensions administration service. It aimed to ensure the fund and employers were fully aware of their responsibilities and acceptable levels of performance.

Subject to approval of the Strategy, the next stage would involve consultation with employers, including the use of an Employers Forum. The Chair invited the Board to send any comments they had about the strategy via email.

In terms of comments raised, the Board was advised that the revised wording in relation to the recovery of additional costs from employers incurred as a result of performance issues relating to their responsibilities reflected the position established by the Pension Regulator. It was, however, noted that charging would be only be used as a last resort, with the administering authority seeking to engage at the earliest opportunity with employers in order to identify and address performance concerns and in order to provide the necessary training and support. It was confirmed that the greater clarity in the Strategy around these charges was not a reflection of any increase in perceived levels of risk.

The Board noted that the last update of the Strategy was undertaken in 2018 and it was therefore now felt to be the appropriate time to undertake a further update in order to reflect relevant changes within the LGPS and the revisions which had been made, as detailed within section 4 of the report, as well as provide further clarification on employer responsibilities.

The Board welcomed the report and as no further issues were raised it was **RESOLVED**:

(1) To note the revised Pension Fund Administration Strategy, as detailed within Appendix 1 of the report.

(2) To approve consultation on the revised Strategy with employers in the Brent Pension Fund.

8. **LGPS Update**

Sawan Shah (Brent Council - Senior Finance Analyst) presented the LGPS report, updating the Board on recent developments within the LGPS regulatory environment and any recent consultations issued by the Ministry of Housing, Communities and Local Government (MHCLG) with a significant impact on the Fund.

In considering the report the Board noted:

- The update provided in relation to the Pension Regulator's consultation on the first phase of a new Code of Practice, which aimed to bring together the existing codes, including incorporation of the changes introduced as a result of the Occupational Pension Scheme Regulations 2018 and removal of codes which were outdated and did not reflect current expectations as well as addressing areas of duplication or inconsistencies. A final version of the code was currently awaited prior to review for implementation within Brent.

- The update provided by the Scheme Advisory Board (SAB) in England and Wales on LGPS mortality data to the end of March 2021, which had reflected the impact of the COVID-19 pandemic both across age groups and regions.
- The publication of the outcome from the Pension Regulator Public Service Pension Scheme (PSPS) Governance & Administration Survey 2020-21, which members were advised had included new questions relating to the response on the COVID-19 pandemic, awareness and perceptions of the pensions dashboard and action being taken by Local Government Pension Schemes in relation to climate related risks and opportunities. The survey outcome had identified improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time with the most significant risk identified as implementing the McCloud remedy. Full details of the survey had been included within Appendix 2 of the report.

Having introduced the report, questions were invited from Members, with the following issues raised:

- Further details were sought on the update provided in relation to the Government's new requirement regarding the provision of data on exit payments. The Board was advised that the Council had been requested to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit from 2014/15 – 2020/21. Whilst recognising the effort required to produce this data the Board were advised that the necessary information had been submitted by the Fund within the required deadline and the issue reflected within the Fund Risk Register

As no further issues were raised the Chair thanked officers for the update and the Board **RESOLVED** to note the LGPS update and recent developments identified.

9. **Pension Fund Risk Register**

Flora Osiyemi (Brent Council - Head of Finance) presented a report updating the Board on the Risk Register for the Brent Pension Fund Pensions Administration Service. The update highlighted the new risks and key changes to classifications of risks as set out in the appendices to the report, with the Board noting the following changes

- Exit Pay Reform – the Register had been updated to include the planned changes to the way redundancy benefits would be carried out for members aged 55 and over as a risk under Funding & Accounting.
- The other two key changes had related to the annual benefits statement (Item 6.2) to reflect the annual process in submission of end of year returns from employers and the Fund and Draft Annual Accounts (Item 9.5) to reflect the publishing of the Fund Draft Annual Accounts.

The Board was then invited to comment on the revised Risk Register, with the following issues raised:

- Following on from their consideration of the LGPS Update, Members noted that the risk identified in relation to transfer of the LPP Administration System to a new supplier had been captured as item 5.6 within the register.
- Members suggestion that future updates include the date of the previous review so it would be possible to identify any priority areas for consideration and focus.

As no further issues were raised the Chair thanked officers for the update and the Board **RESOLVED** to note the report and Risk Register, including the key changes set out within section 3.5 of the report.

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

The Board received the Brent Pension Fund Q1 2021 Investment Monitoring Report. It was reported that the monitoring report had been considered in detail by the Brent Pension Fund Sub Committee on 24 June 2021 who had noted the key issues as set out in the report.

Members welcomed the report and with no further issues raised it was **RESOLVED** to note the investment monitoring report for Quarter 1 (2021)

11. **London Borough of Brent Pension Fund- Funding Issues Update**

The Board received a report from Hymans Robertson providing an update on funding issues which had arisen in relation to the Brent Pension Fund since the formal valuation and key issues for the remainder of the Fund year 2021-22. It was reported that the update had been considered in detail by the Brent Pension Fund Sub Committee on 24 June 2021 who had noted the key issues as set out in the report.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the report and funding issues highlighted.

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

The Board received 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). It was reported that the draft accounts and Investment Strategy had been considered in detail by the Brent Pension Fund Sub Committee on 24 June 2021

Having noted that the draft accounts were currently in the process of being audited clarification was also provided, in response to a query on the Funds positive cash flow position and investment strategy, regarding progress on investment in low carbon equities holdings and other significant capital commitments.

As no further issues were raised it was **RESOLVED** to note and endorse the draft annual accounts for the year end 31 March 2021 and draft Investment Strategy Statement.:

13. **Actuarial Services Procurement**

The Board received 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 expired on 30 September 2021. It was noted that the procurement process had been considered in detail by the Brent Pension Fund Sub Committee on 24 June 2021

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note and endorse the recommendation granting delegated authority to the Director of Finance to appoint a provider for actuarial services to the Fund, following a procurement process to be carried out by officers.

14. **Local Authority Pension Fund Forum (LAPFF) Engagement Report**

The Board received 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. It was noted that the engagement report had been considered in detail by the Brent Pension Fund Sub Committee on 24 June 2021 and with no further issues raised it was **RESOLVED** to note the :LAPFF engagement report.

15. **Any other urgent business**

The Board were provided with an update on the progress in seeking to fill the current membership vacancy for an employer (Non Brent Council) representative. Expressions of interest had been invited and a selection process was currently underway, the outcome of which would be reported to the Council's General Purposes Committee for a final appointment to be confirmed.

The Chair also advised members that that this would be Saagar Raithatha's (Senior Finance Analyst) final meeting of the Pension Board as he would be moving on to take up a new position. The Chair, on behalf of the Board, thanked Saagar for his support and wished him success in his new role.

16. **Date of next meeting**

NOTED that dates scheduled for future meetings of the Pension Board, which were as follows:

- Tuesday 2 November 2021 at 6pm (to be held as an online meeting)
- Monday 24 March 2022 at 6pm (to be held as an online meeting)

17. **Exclusion of Press and Public**

At this stage in proceedings the Board **RESOLVED** that the press and public 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)."

Having passed the above resolution the live webcast was ended at this stage of the meeting.

18. **Deferred Debt Arrangement**

The Board received a report advising of an organisation who had informed the Fund of their intention to stop future accrual into the Pension Fund. It was noted that the report had been considered in detail by the Brent Pension Fund Sub Committee on 24 June 2021 who in considering the report had been advised of:

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

In considering the report, the Board were keen to ensure that any issues in terms of ongoing risk to the Fund or involving other member organisations in similar positions were identified at as early a stage as possible. Further details were provided in relation to the action taken to address the organisations position in the Fund and arrangements were included within the proposed legal agreement to provide an acceptable form of security within a defined period of time, which would provide a positive way forward for both the Fund (in order to mitigate any risks) and to the organisation.

Having noted the advice provided the Board **RESOLVED** to note and endorse the decision made by the Brent Pension Fund Sub Committee to

(1) note the content of the report and funding position identified in relation to the organisation identified within the report.

(2) approve entry into a Deferred Debt Agreement (DDA) with the organisation identified within the report.

(3) delegate authority to the Director of Finance to finalise the terms of the DDA agreement with the organisation identified within the report.

18. **London CIV Investment Update**

The Board received a report providing an update on LCIV performance since inception and each fund manager's performance for the funds provided by LCIV. The main areas covered within the presentation were in relation to pooled investment arrangements, investment performance, staffing and organisation updates (including the appointment of a new Investment Manager & Senior Portfolio Manager - Equities), changes proposed to the LCIV MAC Fund and other LCIV fund launches within the pipeline. It was noted that the update report had been considered in detail by the Brent Pension Fund Sub Committee on 24 June 2021.

In considering the report the Board were keen to ensure regular engagement and monitoring continued in relation to performance of the LCIV and with no further issues raised it was **RESOLVED** to note the investment update provided by London CIV

The meeting closed at 7.27 pm

MR. D EWART
Independent Chair

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Agenda Item 13

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